PUBLIC INVESTMENT
CORPORATION®
Est. 1911

INCLUSIVE GROWTH



SUSTAINABLE
DEVELOPMENT



INTEGRATED ANNUAL REPORT 2019

Highlights

EMPLOYMENT

138,316
TOTAL JOB NUMBERS

54,717
Total number of permanent employment opportunities sustained

16,870
Total number of temporary employment opportunities created

66,729
Undisclosed

GENDER

36,314
Total Number of Female

61,387
Total Number of Male

40,615
Undisclosed Gender

OTHERS

20,339
Number of Youth (Included under total job numbers)

403
Number of people living with disability (Included under total job numbers)

8,323
Total number of new jobs (Included under total job numbers)

8,844
Total number of job loss

SOCIAL IMPACT

HEALTHCARE: DIRECT

24
Total number of hospital projects

2,097
Total number of beds available in hospital projects

ENVIRONMENTAL

16
Total number of projects funded

2,420
Total number of megawatts (MW)

+R14 542 428,20
Enterprise Supply Development (ESD) spend

+R47 363 095,69
Corporate Social Investment (CSI) spent

HOUSING

105
Number of housing projects

64,935
Number of houses constructed

PROPERTIES

11
Total number of Properties – Indirectly-Held

24,749
Indirect jobs reported

2,591
Number of SME's (already counted under SME's)

+R1 085 636 982,68
Total number spent on SME's

2,357
Number for properties leased to Black Owners

2,642
Number of people trained – Skill Development

+R 32 101 389,68
Total amount spent on CSI

AGRICULTURE

41
Number of Farms

- 8
  Stock Farming
- 33
  Crop Farming

137
Number of emerging farmers supported

750
Number of farm workers who have access to health care facilities

1,542
Number of farm workers who have access to education - farm workers and their children

COMMUNITY UPLIFTMENT AND ECONOMIC BENEFIT

3,353
SME supported through ESD (Include Properties)

15
Number of Community Trust and Employee Share Schemes established and supported

307
Total number of SME's funded was allocated to empowered companies

- 118
  Number of female-owned SME funded
- 15
  Number of black youth-owned SME funded
- 73
  Number of black-owned SME funded

EDUCATION

48,663
Student Loans

- 44,459
  Total number of student finance
- R547,000,000
  Total amount disbursed

18
Number of schools supported through Education Focus Fund

18,600
Number of students (Basic education)

11,964
Student Accommodation: Total number of student beds

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INTRODUCTION

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Minister's Note to Parliament

Mr T.T. Mboweni
MINISTER OF FINANCE

Speaker of Parliament

In terms of Section 65 of the Public Finance Management Act, 1999 (Act 1 of 1999), I have the honour to present the Integrated Annual Report of the Public Investment Corporation SOC Limited (PIC) for the period 1 April 2018 to 31 March 2019.

Mr T.T. Mboweni, MP
Minister of Finance
September 2019

Corporate Profile

OVERVIEW

The Public Investment Corporation SOC Limited (PIC) is a state-owned asset management company that invests across various sectors of the economy. The PIC's clients are mostly public sector entities. The Corporation has exposure to asset classes such as listed equities, bonds, real estate, private equity and impact investments. The majority of its investments are in South Africa and the remainder in the rest of the African continent and globally.

Established in 1911 as Public Debt Commissioners, the PIC was corporatised on 1 April 2005, following the promulgation of the Public Investment Corporation Act, 2004 (Act 23 of 2004) (PIC Act).

As a financial services provider, registered with the Financial Sector Conduct Authority (FSCA), our investment activities are governed by the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) (FAIS Act).

In terms of financial management and accountability, the PIC among others is regulated by the PIC Act, the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), the Companies Act, 2008 (Act 71 of 2008), and the Prevention of Organised Crime Act, 1998 (Act 121 of 1998). The PIC adheres to the provisions of the Financial Intelligence Centre Amendment Act, 2017 (Act 1 of 2017) (FICA).

The following are PIC's main clients: Government Employees Pension Fund (GEPF); Unemployment Insurance Fund (UIF); Compensation Commissioner Fund (CC); Compensation Commissioner Pension Fund (CP) and Associated Institutions Pension Fund (AIPF). The PIC's role is to invest funds on behalf of its clients, based on the investment mandates set by each client and approved by the FSCA.

Like the majestic Secretary Bird in its corporate logo, the PIC towers many of its peers in advancing sustainable development for inclusive growth. Endemic to Africa, Secretary Birds are known to hunt in pairs. Similarly, we at the PIC believe that strategic partnerships, teamwork and commitment are essential to achieving our investment objectives.

OUR CLIENTS

100%

86.75%
Government Employees Pension Fund (GEPF)

7.80%
Unemployment Insurance Fund (UIF)

1.97%
Compensation Commissioner Fund (CC)

1.23%
Compensation Commissioner Pension Fund (CP)

0.75%
Associated Institutions Pension Fund (AIPF)

1.50%
*Other

**Constitutes various clients with smaller portfolios*

ASSET CLASS COMPOSITION

As at 31 March 2019, the asset class composition as a percentage of assets under management (AuM), was as follows:

LISTED INVESTMENTS (DOMESTIC)

- **33.43%** Listed Equities (Managed In-house)
- **12.02%** Listed Equities *(Externally Managed)*
- **32.26%** Bonds
- **6.38%** Cash and Money Markets
- **2.52%** Listed Properties

UNLISTED INVESTMENTS (DOMESTIC)

- **0.75%** Private Equity
- **2.75%** Impact Investing
- **2.24%** Unlisted Properties

OFFSHORE AND REST OF AFRICA INVESTMENTS

- **4.62%** Global Listed Equities
- **1.48%** Global Listed Bonds
- **0.99%** Africa - Listed Investments
- **0.56%** Africa - Unlisted Investments

OUR VALUES

WE CARE

- Committed
- Accountable
- Respect
- Empathy

WE DELIVER

- Diligence
- Excellence
- Leadership
- Innovate/Integrity
- Value
- Efficient
- Responsible/Reliable

OUR MISSION AND VISION

The PIC's vision and mission will not only enable us to exceed our stakeholders' expectations but will also contribute towards inclusive growth.

GROUP STRUCTURE

GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA

PUBLIC INVESTMENT CORPORATION SOC LIMITED

OWNS

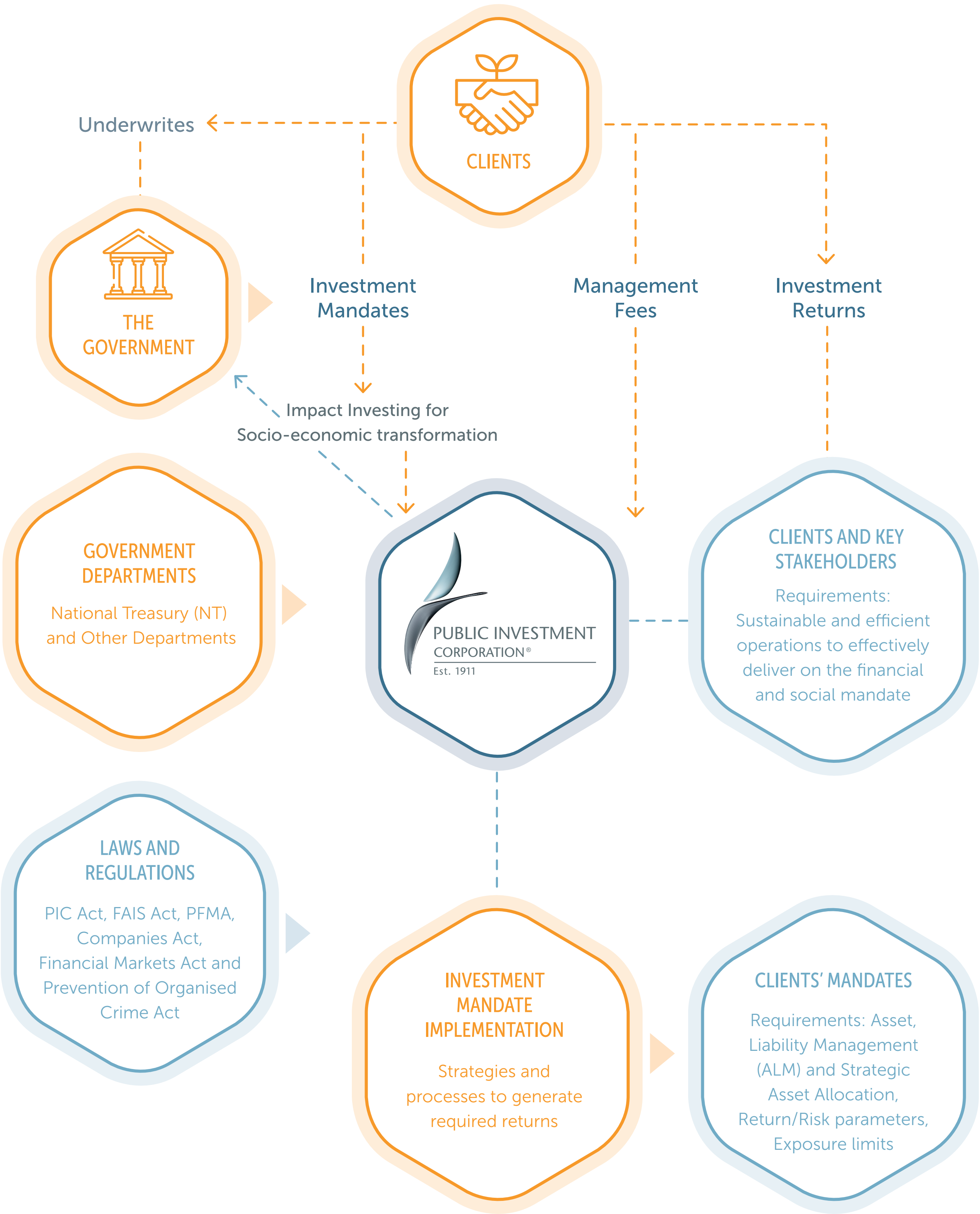
46%
Harith Fund Managers

30%
Harith General Partners

30%
Bophelo Insurance Group

7%
SA SME Fund Limited

OUR BUSINESS MODEL



Report by the interim Chairman

Dr Reuel Khoza

I am pleased to present the Public Investment Corporation (PIC) Integrated Annual Report for the financial year ending March 2019.

The report is presented at a time when South Africa is confronting a demanding economic environment in which global growth is slowing down and trade tensions are steadily mounting, both of which affect our small, open economy.

While progress is being made on various short-term initiatives, South Africa needs to introduce a range of structural reforms to encourage confidence and investment, and stimulate economic growth.

The prospects for global growth are adversely affected by trade tensions between the two global economic giants, the United States of America (USA) and China. These trade wars have intensified since 2018 and are starting to weigh on real economic activity, as reflected by a slowdown in key economic indicators such as industrial production and purchasing managers' indices, as well as weak investment spending.

In Europe, the 31 October 2019 Brexit deadline is approaching. The United Kingdom (UK) can either leave the Euro area without a deal or request an extension until March 2020 to come up with a deal. With either eventuality, the outcome is likely to prolong uncertainty for the global economy. This would certainly push investments out of Britain and have negative effects on that country's economy, and that of its key trading partners within the European Union (EU) and beyond. The UK is South Africa's second biggest trade partner in the Euro region, whilst the EU is South Africa's single largest trade partner.

The state of the economy in the rest of Africa is just as parlous. The World Bank predicts that economic growth for Sub-Saharan Africa will remain below its population growth rate, at 2.8%.

These developments may continue to weigh on global financial markets and global growth, with the latter expected to slow to its weakest level in 2019 since the 2008/09 financial crisis. As a global investor, the PIC is exposed to domestic and global economic and political developments. Over 90% of its assets are invested in South Africa, with the balance invested in the rest of Africa and beyond.

Domestic economy growth has been below 2% for the past five years and growth prospects look to disappoint again in 2019, with a forecast of 0.5%. The low-growth cycle can be attributed to broad-based weakness in the economy combined with moderating external demand. The economic indicators are not telling a great story, with unemployment at an all-time high of 27.6% as of July 2019.

Something has to be done to correct the situation. The South African government has identified short-term reforms that could boost the country's potential growth by 2% to 3% if implemented expeditiously and effectively. These reforms must address bottlenecks and obstacles to growth in tourism, information and communication technology, infrastructure, energy and land reform. They also need to address barriers to entry in South Africa's priority sectors and include a comprehensive youth employment strategy.

As the PIC, we applaud the government's central policy goal to accelerate inclusive economic growth and create jobs. Faster growth is needed to expand employment and raise revenues to support social development. We, however, urge bias for action and implementation.

While progress is being made on various short-term initiatives, South Africa needs to introduce a range of structural reforms to encourage confidence and investment, and stimulate economic growth.

The state's capacity to implement policy effectively also needs to be strengthened, and these and other obstacles must be confronted promptly, given the increasingly uncertain global outlook.

The Public Finance Management Act requires major state-owned companies to generate sufficient financial resources from their operations to meet their obligations to employees, the public and debt holders. Several state-owned companies in South Africa are not in a position to meet these obligations and are in financial distress. Bold, results-focused steps with explicit timelines and deadlines are imperative.

This institution has been neither immune to ostensible lapses in good corporate governance nor sufficiently insulated from political or other undermining external influences.

During the year under review, the PIC came under sustained public scrutiny in the media, which damaged the organisation's reputation. This resulted from allegations of misconduct and breaches of company governance regimes levelled against senior officials. These included flouting investment processes, making improper transactions and abusing positions of privilege in allocating funds. Allegations asserted that some former directors had behaved in a manner well below the high ethical standard required of them.

The PIC was, for the first time in its history, subjected by its Shareholder to two major governance interventions. The first was the July 2018 appointment by the Board of Cheadle, Thompson and Haysom and Advocate Geoff Budlender, SC at the recommendation of the Minister of Finance. The lawyers were tasked with conducting an independent forensic investigation into allegations of misconduct levelled against the former Chief Executive Officer, Dr Daniel Matjila, and the Chief Financial Officer, Ms Matshepo More. The allegations were contained in emails circulated widely by an alleged whistleblower. The second was the establishment in October 2018 of a Commission of Inquiry into allegations of impropriety following a proclamation by President Cyril Ramaphosa. The Commission's terms of reference included 'whether a director or employee of the PIC had misused their position for personal gain or to improperly benefit another person; whether alleged impropriety regarding investment decisions by the PIC contravened any legislation, policy or contractual obligations…'. The mandate included examining and making recommendations on the current delivery model/structure and any other matter that it deems to warrant attention. The Commission is due to hand its final report to the President on 31 October 2019. The Board will consider and develop a plan to implement the recommendations once it receives the report.

These interventions and prolonged negative publicity have impacted on the image, performance and staff morale of the PIC. This context is important and should be taken into account when assessing the PIC's performance for the year under review.

There is no doubt that we will need to do much more to restore the PIC's credibility and salvage what is left of its reputation. The interim Board which was appointed on 12 July 2019, subsequent to the financial year-end is hard at work to boost staff morale, and win back market confidence by ensuring that business is conducted with high levels of professionalism, fairness, integrity and diligence. Key priorities for the interim Board are to stabilise the organisation, the filling of the CEO and other senior positions and the reviewing of policies and delegation of authority.

PIC PERFORMANCE

As an asset manager, the PIC is in a unique position. It manages the financial assets of the GEPF and other social security funds. Notwithstanding global geopolitical and economic factors, the PIC has continued to perform. By the end of March 2019, these funds accounted for R2,131 trillion in assets under management (AuM).

The Listed Equity Portfolio, for example, has performed above the median of its benchmark cognisant peer group, contributing to sustainable returns for clients. Over the three years to end-March 2019, the PIC returned 4.75%, compared to SWIX return of 3.73% and a median return of 4% by its benchmark cognisant peers. Compared over five years, it returned 6.65%. In the same period, SWIX returned 6.17% and the peer group 5.94%. For a seven-year rolling period, the PIC's listed equity portfolio returned 11.3%, whilst its peers returned 11.38%. In the same period, SWIX returned 10.79%.

OUTLOOK

In accordance with the Corporate Plan and shareholder compact for the 2019/20 financial year, the PIC will continue to focus on financial sustainability and delivery on its legal and investment mandates. Focus on human resources will be sharper and we will endeavour to attract and retain highly skilled investment professionals to ensure that we continue to perform above our peers. At the same time, we will seek to entrench the culture of accountability expected of an asset management company. Information and Communication Technology (ICT), being an important component of the PIC business, the Information Communication and Technology Governance Committee, a sub-committee of the PIC Board, will continue to exercise oversight on information technology governance in line with best practice.

Risk management – at both Corporate and AuM level – will be top of mind, with more emphasis on integrated risk management in compliance with King IV.

During the 2019/20 financial year, the PIC will continue with its impact investing strategy, which seeks to invest in initiatives that contribute to the growth and transformation of the South Africa economy. PIC clients stand to benefit from the Continental Free Trade Area (CFTA) to which most African countries are signatories. The CFTA aims to create a single continental market for goods and services and expand intra-African trade. The PIC's rest of Africa strategy will continue to take advantage of opportunities. The PIC trusts that all these efforts will bear fruit for clients and other stakeholders.

I would like to take this opportunity to express my gratitude to all employees for their commitment and diligence in ensuring that the PIC achieves its objectives. The GEPF, UIF, CC and other clients remain supportive of the PIC's work and for this, I thank them for their confidence in the PIC. I appreciate the support of all interim Board members, who have the huge responsibility of making sure that the PIC returns to its former glory.

Dr Reuel J Khoza
Chairman

Report by the Acting Chief Executive Officer

Vuyani Hako

I am pleased to present the report of the Chief Executive Officer for the financial year ended 31 March 2019. This report comes at a time when the Public Investment Corporation (PIC) is in the spotlight, following the institution of the Commission of Inquiry into allegations of impropriety at the Corporation. This report broadly covers the operating environment, investment performance and other issues pertinent to the PIC.

OPERATING ENVIRONMENT

The operating environment during the year under review was both challenging and complex, characterised by slowing global and local economic growth as well as trade tensions. The International Monetary Fund (IMF) projected global growth to soften to 3.6% in 2018 before declining further to 3.2% in 2019. The global economy, including South Africa, is faced with a high level of uncertainty (trade policy, Brexit, individual country policy issues) which has adversely affected private sector investment spending as well as export growth. Domestically, growth of 0.5% and 1.2% in 2019 and 2020, respectively is expected before peaking moderately to around 2% in the medium-term. These developments adversely affected the PIC's portfolio since the majority of investments are held domestically.

Positive developments during the period under review included strong performance of equities in developed markets. The US, in particular, performed strongly and recorded its most notable performance in nearly 20 years. As a result, our clients with exposure to global and emerging market equities benefitted greatly. Domestically, the All Bond Index (ABI) ended strong at 3.8%, as the market started to price in potential interest rate cuts later this year. Overall, the Johannesburg Stock Exchange (JSE) quarter four was good, with the FTSE/JSE Shareholder Weighted All-Share Index (SWIX) appreciating 6% in the last quarter of the financial year. The economic environment is extensively discussed on pages 46 to 63 of this Annual Report.

During the year under review, President Ramaphosa proclaimed a Commission to investigate allegations of impropriety at the PIC. The Commission is expected to submit its findings and recommendations by 31 October 2019. The PIC awaits the Commission's report. The Board has committed to speeding up the process of appointing the new CEO. We remain hopeful that, with the passage of time and the turn of events, the PIC will emerge better, stronger and more efficient.

INVESTMENT STRATEGY PAYS OFF

The PIC`s investment strategy focuses on building a diversified portfolio that is strong enough to withstand and absorb unanticipated market shocks. Careful and diligent selection of appropriate investment opportunities is paramount to achieve this. We continue to implement our refined investment strategy underpinned by a long-term investment philosophy and approach. Central to the strategy, is the pursuit of financial returns for our clients and strong emphasis on Environmental, Social and Governance (ESG) matters at investee companies. In-house research precedes our investment and tactical asset allocation decisions. The PIC is satisfied with the current portfolio positioning and is optimistic about future return prospects. We are poised to take advantage of possible attractive opportunities in the market and to generate inflation-beating returns for our clients.

The assets under PIC's management grew to R2,131 trillion, compared to R2,083 trillion in March 2018. Our long-term performance remains robust and has been consistent across the different clients' portfolios. We outline our performance, that covers all clients and asset classes, on pages 108 to 109.

REST OF AFRICA STRATEGY

The PIC is on track with implementing its rest of Africa investment strategy. During the period under review, the Corporation approved rest of Africa investments valued at US$873,7 million. Out of this amount, the PIC made an equity investment of US$100 million to acquire Class B shares in the African Export-Import Bank (Afreximbank), a leading pan-African multilateral financial institution devoted to finance and promote intra- and extra-African trade across different sectors. Other investments included US$26,8 million in Cipal Telecommunications for expansion into Angola and US$19 million in Balltec (Pvt) Ltd towards beneficiation of platinum in Zimbabwe.

GLOBAL STRATEGY

The PIC's global strategy yielded the requisite results and contributed to the overall portfolio performance. The strategy is supported by our partnership with reputable global asset management companies, in particular Robeco and Blackrock.

HIGHLIGHTS

Highlights for the financial year under review include the following:

- Approval of approximately R15 billion towards impact investments, private equity and property investments;
- Allocation of investments to the value of US$873,7 million in support of the rest of Africa investment strategy and to facilitate African regional integration through investments on the rest of the African continent;

- 100% of funds approved under impact investments and private equity were awarded to emerging and/or established black economic empowerment (BEE) firms that are more than 51% black-owned and 30% managed and controlled by historically disadvantaged individuals (HDIs);
- 96.77% of brokerage spend went to brokers on levels 1 to 4 BEE rating;
- 75.5% of total brokerage was paid to brokers that are 51% owned and 30% management controlled by HDIs; and
- 40% of approved new property developments and acquisitions were allocated to women.

CLIENT PRODUCTS AND SERVICES

We continue to strengthen and improve our investment processes and portfolio monitoring and management. The application of ESG and risk management in our investment processes remains an important consideration. Research is an integral part of our investment decisions and allows us to develop product solutions relevant to clients portfolios and beneficiaries. During the year under review, the PIC and the Unemployment Insurance Fund (UIF) launched the Project Development Partnership Fund (PDP). The UIF allocated R2 billion annually to the PDP, which will fund investable projects, opportunities and innovations in key economic sectors, including agribusiness and bioscience; mining, beneficiation, energy and related sectors; manufacturing and information communication technologies; social infrastructure; water and waste; and financial and related services. The housing finance product for GEPF members continues to provide much-needed funding.

OPERATIONS

The PIC is a going concern that is financially strong and stable. During the year under review, the organisation declared a dividend of R80 million to the Shareholder, making it one of the few state-owned entities to contribute to the fiscus. We worked tirelessly to comply with laws and regulations applicable to the PIC and the mandates entrusted to us by our clients.

The PIC achieved an unqualified audit opinion from the Auditor-General of South Africa (AGSA), with findings on compliance to applicable laws and regulations. This is a regression from the previous financial year's clean audit opinion. For the first time since the PIC's corporatisation in 2005, the AGSA audited Assets under Management (AuM). The AGSA findings relate to non-compliance to certain laws and regulations and concerns around compliance with some policies and procedures which might result in breaches of the PIC Act. The findings identified on the annual financial statements were adjusted and resulted in enhanced presentation and disclosure of the Annual Financials Statement. Management remains committed to enhance the control environment, to implement the recommendations by the AGSA in full and to address all the concerns identified.

INFORMATION TECHNOLOGY

We recognise that Information Technology (IT) is a critical business enabler and that it is important to keep our IT systems solid and secure. To this end, we upgraded our IT systems to ensure flow of real-time data and provision of superior data analytics. To guarantee data security, we also upgraded our IT security.

OUR PEOPLE

Employees are central to the fulfillment of the PIC's mandate. The organisation ended the year with 407 employees, 84% African, 5% Indian, 4% Coloured and 7% White. Notably, females filled 23.8% of senior management positions.

OUTLOOK

The investment environment is expected to remain risky and uncertain, both globally and domestically. We are focused and committed to our long-term investment philosophy, which has, over the years, yielded positive results. The next few months will be opportune for the Corporation to reflect on the issues that will emerge from the PIC Commission of Inquiry, develop a corrective action plan and chart a new growth path.

I would like to thank the Board of Directors for their continued support during this trying time. My heartfelt gratitude goes to all PIC employees for their resilience and commitment towards the organisation. Evident to this, was their diligence as they discharged their responsibilities in line with clients' mandates despite the challenges the organisation faced. Finally, thank you to our clients for entrusting us with your investment mandates, and for your sustained and unwavering support.

Mr Vuyani Hako
Acting Chief Executive Officer

PERFORMANCE AGAINST KEY STRATEGIC OBJECTIVES

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2018/19 FY	ACTUAL PERFORMANCE 2018/19 FY – 31 MARCH 2019	PERFORMANCE COMMENTARY
	FINANCIAL – 20%				**FINANCIAL – 20%**
1	Grow revenue and control costs to run a financially sustainable investment management operation	Staff costs ratio (CTC excl PICeeds/ Management fees)	$x \leq 40\%$	34%	• Achieved
		Net Income[1] percentage	$x > 10\%$	24%	• Achieved
	FINANCIAL - PROCUREMENT (NATIONAL TREASURY DIRECTIVE) – 20%				**FINANCIAL - PROCUREMENT (NATIONAL TREASURY DIRECTIVE) – 20%**
2a	Irregular, fruitless and wasteful expenditure	No irregular, fruitless and wasteful expenditure	0% of total expenditure disclosed as irregular, fruitless and wasteful with medium risk findings on procurement	1.47%	• Not Achieved. There was an irregular expenditure during the year of 1.47% of total expenditure
2b	Clean Audit Report	Maintain an unqualified audit opinion for Financial Year 2018/19 with no material findings on performance information and compliance	Unqualified audit opinion with no findings affecting the auditor's report	Unqualified audit opinion with findings affecting the auditor's report	• Not Achieved. Unqualified audit opinion with findings
2c	Unauthorised expenditure	No unauthorised expenditure	0% of total expenditure disclosed as unauthorised expenditure with medium risk findings on procurement	0%	• Achieved
	INTERNAL BUSINESS PROCESSES / OPERATIONAL EFFICIENCY - 20%				**INTERNAL BUSINESS PROCESSES / OPERATIONAL EFFICIENCY - 20%**
3a	Robust Enterprise Risk Management practices	Unqualified audit opinion	• Unqualified audit opinion	• Unqualified audit opinion	• Achieved
3b	PIC maintains a rating of Good on the Corporate Governance Matrix as at 31 March 2019	Assessment against PIC's Corporate Governance Matrix	• Achieve an overall rating of 75%	• The PIC Corporate achieved an ESG rating score of 71% at 31 March 2019	• Not Achieved. ESG score was below the acceptable rating of 75%
	CUSTOMERS / STAKEHOLDERS – 35%				**CUSTOMERS / STAKEHOLDERS – 35%**
4a	Meet Client Benchmark Portfolio Returns and compliance with Client Risk Parameters (36 months rolling)	**Listed Investments** α = Total Individual Fund Return for the Top 5 Funds – Individual Fund Benchmark Return	• Individual Top 5 Funds $\alpha \geq 0$ bps	• Top 5 Funds Average α = 29 bps (2018/19FY)	• Achieved
		α = Total Fund Return for Other Funds – Other Funds Benchmark Return	• Other Individual Funds $\alpha \geq 0$ bps	• Other Individual Funds Average α = 44 bps	• Achieved

[1] The profit for the year as reflected in the Annual Financial Statements, after taxation

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2018/19 FY		ACTUAL PERFORMANCE 2018/19 FY – 31 MARCH 2019	PERFORMANCE COMMENTARY
4b	Generate excess returns over benchmark	**Impact Investments** (Unlisted Investments excluding Properties) **Legacy Portfolio## (before Fund I PPMs)** Hurdle Rate (IRR) = 8% (X)	• X + (0 to 50bps)		• IRR = 7.00%**	• Not Achieved. The legacy portfolio performance is below target returns. The below target performance was mainly as result of the impairment of some the investments in the portfolio, particularly those managed by third party fund managers in the social infrastructure sector and projects affected by the drought
		Fund I (Including UIF and CC SRI portfolio and Unlisted Debt) Hurdle Rate (IRR) = 8% (X)	• X + (0 to 50 bps)		• IRR = 3.24%**	• Not Achieved. The Fund I Performance is on track. Some of the investee companies in the portfolio were impaired. Investments in sectors such as agriculture were also affected. The Investment team will continue to actively monitor the performance of the portfolio companies
		Fund II (Including UIF and CC SRI portfolio and Unlisted Debt) Hurdle Rate (IRR) = 8% (X)	• X – (minus) 300 bps		• IRR = 0.00%**	• Not Achieved. The Fund is relatively new and most investments in the portfolio are still held at cost
4c	Generate excess returns over benchmark	**Private Equity and SIPs (Unlisted)** Legacy Portfolio Hurdle Rate (IRR) = 8% (X)	• X + (0 to 50 bps)		• IRR = 5.85%**	• Not Achieved. Trailing behind the target return. The PE legacy portfolio was negatively hit with impairments experienced during 2008/9 financial crisis e.g Afrisam. Continuous portfolio management and engagement with investee companies to add value will be the main focus
		Fund I (Including Unlisted Debt) Hurdle Rate (IRR) = 10% (X)	• X + (0 to 50 bps)		• IRR = -0.28%**	• Not Achieved. Trailing behind the target: The portfolio is comprised of investments that were impaired. Some investments in the portfolio did not perform as expected. The Investment team is closely monitoring and managing investments that are underperforming
		Fund II (Including Unlisted Debt) Hurdle Rate (IRR) = 10% (X)	• X – (minus) 300 bps		• IRR = 8.33%**	• Achieved
4d	**Meet Client Benchmark Portfolio Returns** (as per IPD returns calculation, customised for the PIC unlisted properties portfolio structure and subject to approval of client mandates)	**Property Investments (Unlisted)** Total Return (Capital and Income) = Meet IPD adjusted by weighting the portfolio returns as customised[2] for the PIC's clients' portfolio structure	• Total return higher or equal to the PIC customised IPD[2]		• All Property Total Return (at 31 March 2019 approved Valuations): 9.8% vs IPD Return of 9.9%. Relative return= - 0.1%	• Not Achieved. The total return Performance of the Unlisted Property Investment was slightly less than 0.1% below benchmark over three years. The performance of V&A Waterfront and ACSA investments contributed positively to the overall portfolio performance

[2] The weighted Investment Property Databank (IPD) benchmark returns are measured according to the PIC Clients' Directly Held Portfolio specific exposure
** The Unlisted numbers are as at the latest in house valuations. The independent valuations of unlisted investments are performed once a year
Legacy portfolio in Unlisted Investment Portfolio is the portfolio of investments that were done before Fund I PPM (Private Placement Memorandum) arrangement

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2018/19 FY	ACTUAL PERFORMANCE 2018/19 FY – 31 MARCH 2019	PERFORMANCE COMMENTARY
		CUSTOMERS / STAKEHOLDERS – 35%			CUSTOMERS / STAKEHOLDERS – 35%
5a	Contribute towards the growth and transformation of the economy through Impact Investments	**Impact Investments (Unlisted)** In various sectors, such as: • Economic infrastructure • Social infrastructure • Priority sectors • Renewable energy and green technology • Enterprise Development and SMMEs	• Annual Approved Transactions = R3 billion	• Investments with total value of **R5.46 billion** were approved as at 31 March 2019 (2018/19FY)	• Achieved
5b	Contribute towards the growth and transformation of the economy through Private Equity Investments and Structured Investment Products (SIPs)	**Private Equity and SIPs (Unlisted)** Contribute to transforming the economy through Private Equity Investments Structured Investment Products (SIPs) in various sectors	• Annual Approved Transactions = R4 billion	• Investments with total value of **R4.59 billion** were approved as at 31 March 2019 (2018/19FY)	• Achieved
5c	Contribute towards the growth and transformation of the economy through Unlisted Property Investments	**Property Investments (Unlisted)** Contribution to transforming the economy through property investments in various sectors *Properties – Redevelopments / New acquisitions / New developments / Funding*	• Annual Approved Transactions = R4 billion	• Investments with total value of **R4.93 billion** were approved as at 31 March 2019 (2018/19FY)	• Achieved
6	Facilitate African regional integration through investments in the rest of the African continent	**All asset classes** (Listed Equities, Impact Investments, Properties and Private Equity) - Increase investments in Africa (Non-domestic)	• Annual approved transactions = between 0 – USD250 million	• Investments with total value of **USD873.7 million** were approved as at 31 March 2019 (2018/19FY)	• Achieved

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2018/19 FY	ACTUAL PERFORMANCE 2018/19 FY – 31 MARCH 2019	PERFORMANCE COMMENTARY
		CUSTOMERS / STAKEHOLDERS – 35%		CUSTOMERS / STAKEHOLDERS – 35%	
7a	Facilitate Broad-Based Economic Empowerment and Skills Development through Investment activities *Subject to approval of client mandates*	**Listed Investments** Allocation to Broad-Based Black Economic Empowerment Service providers	• At least 60% of all new funds awarded to Listed Equity External Managers, must be awarded to Developmental and Established BEE Managers	• 100% of the approved transactions were awarded to Listed External Managers, who are Developmental or Established BEE Managers	• Achieved
		• **Listed Equities** (Multi Management) – Allocation of funds to enterprise development managers, including those who graduate	• Between 10% – 50% of the new funds must be allocated to Developmental and Established BEE Managers owned by female asset managers or people living with physical disabilities; or Developmental and established BEE Managers with a 20% female representation or people living with physical disabilities at Management level	• 52% of the new funds were allocated to Developmental and Established BEE Managers owned by female asset managers or people living with physical disabilities; or Developmental and Established BEE Managers with a 20% female representation or people living with physical disabilities at the Management level	• Achieved
		• **Dealing** (Listed Equities) – Percentage of brokerage paid to designated BEE broker firms used as a percentage of total brokerage paid • In terms of the PIC definition of BEE Level 1 – 4, the following criteria must be met as a minimum: - BEE Level 1 – 4 Certification by an independent rating agency; - At least 51% Black Ownership; and - At least 30% Management Control by previously disadvantaged individuals • Focus to also be placed on: - Skills Development - Enterprise and supplier development - Socio-economic development	• 90% of brokerage spend shall be to brokers on level 1-4 BEE rating	• 96.77% of brokerage spend went to brokers on level 1-4 BEE rating	• Achieved
			• 60% of total brokerage shall be paid to brokers with 51% Ownership by HDIs and 30% Management Control by HDIs	• 75.5% of total brokerage were paid to brokers with 51% ownership by HDI's and 30% Management Control by HDI's	• Achieved

	STRATEGIC INTENT OBJECTIVE	MEASURE	TARGET 2018/19 FY	ACTUAL PERFORMANCE 2018/19 FY – 31 MARCH 2019	PERFORMANCE COMMENTARY
7b	Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments	**Impact Investments and Private Equity** (Fund of Funds) – Funds approved through BEE firms as a percentage of total Impact Investments and Private Equity Fund of Funds investment approvals	• At least 60% of all new funds approved for PE and SRI or Impact Investments, and External Managers, must be awarded to Developmental and/or Established BEE Managers *(To qualify as a BEE Asset Manager, the service provider must at least have 51% Black ownership and 30% Management control by HDIs)*	• 100% of the funds awarded were to Developmental and/or Established BEE Managers who are more than 51% black-owned and 30% Management Control by HDI	• Achieved
	CUSTOMERS / STAKEHOLDERS – 35%			**CUSTOMERS / STAKEHOLDERS – 35%**	
7c	Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments *Subject to approval of client mandates*	**Unlisted Property Investments** Approved transaction of new developments/acquisitions of property investments	At least 30% of the approved unlisted property transactions approval for new developments/acquisitions must be BEE	• 37% of the approved unlisted property transactions were funding towards BEE as at QIV - 31 March 2019	• Achieved
			Between 10% – 50% of the approved BEE transactions must be allocated to women participants *(The BEE shall have at least 40% Black Ownership)*	• 40% of the approved BEE transactions were allocated to women participants as at QIV - 31 March 2019	• Achieved
	LEARNING AND DEVELOPMENT – 5%			**LEARNING AND DEVELOPMENT – 5%**	
8	The PIC staff demographics are reflective of the Skilled segment of South Africa's economic active population	Percentage of staff defined as black, according to the Employment Equity Act, aligned with the Skilled segment of the economic active population	Staff demographics to be reflective of the Skilled segment of the economic active population	• Actual percentage of staff defined as Black 93.36% as at 31 March 2019, against National Economically Active Population (EAP) of 90.8%. The PIC is 2.29% ahead	• Achieved
			At least 30% of vacancies of senior management, based on the Paterson grading scales, will be filled with female employees	• 23.8% of vacancies were filled by females at Senior Management level during the period under review	• Not Achieved. The target of 30% vacancies of Senior Management, based on the Paterson grading scales, will be filled with female employees, was missed by 6.2%
			1.8 % people living with physical disabilities	• 1.97% of PIC employees were employees living with disabilities	• Achieved

PART 02

DELIVERING ON CLIENT EXPECTATIONS

CONTENTS

Investment Philosophy

The PIC delivers on clients' investment mandates by applying an investment philosophy that rests on two key pillars and which is anchored by robust risk management processes. These pillars are Financial Returns (FR) and Sustainable Investing, which are premised on ESG considerations.

THE FR/ESG APPROACH

FINANCIAL RETURNS

ALPHA GENERATION	DIRECT INVESTMENT APPROACH	SOCIAL ECONOMIC TRANSFORMATION (SET)
Provide sustainable longer-term financial returns to clients in line with the set benchmarks.	Impact Investing for real Socio-Economic Transformation, across all PIC investment activities in Listed and Unlisted Investments.	Transforming and contributing to the economy to improve sustainability through Impact Investing.

SUSTAINABLE INVESTING ESG

INCORPORATING ESG ISSUES PRODUCES SUSTAINABLE PORTFOLIO RETURNS IN THE LONG-TERM

ENVIRONMENT	SOCIAL	GOVERNANCE
Protecting the environment to sustain the creation of wealth.	Sharing of the wealth is an insurance for sustained wealth creation.	Good governance enhances financial performance.

SUPPORTED BY ROBUST RISK MANAGEMENT (PEOPLE, SYSTEMS AND PROCESSES)

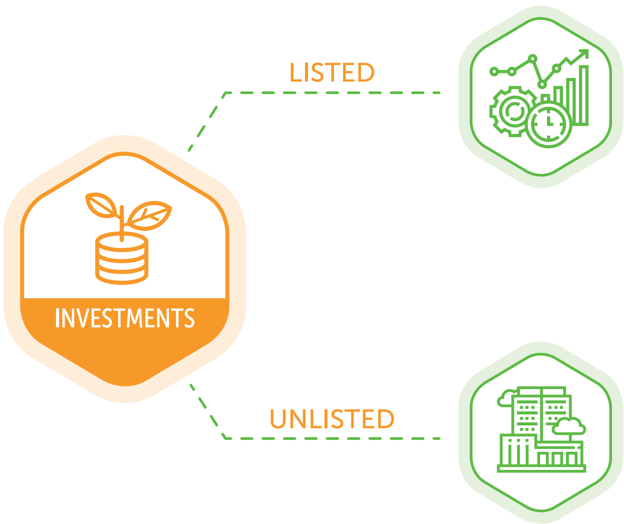
RISK MANAGEMENT	DIVERSIFICATION	TIME HORIZON	MARKET EFFICIENCY	VALUATION & ANALYSIS	COST
Efficient use of risk budget by avoiding risks that do not provide commensurate returns, yield low volatility portfolio.	Well diversified portfolios produce stable distribution of returns.	PIC is a long-term investor and believes that in the long-term markets revert to their mean. Investment strategies will generally be long-term in nature and will avoid ad-hoc decision-making based upon short-term factors.	Markets differ in degree of efficiency at macro, sector and asset levels. Providing opportunities to generate excess returns over related benchmarks through asset allocation. Investment strategies will reflect a mix of active and passive investments, with passive investments being emphasised in the more efficient markets.	Valuation and analysis based upon fundamentals generally produce superior return/risk results. Investment strategies will focus on fundamentally-based processes.	PIC believes that managing the costs of investing adds significant value to the production of excess returns. Investment strategies will be utilised cost-effectively.

Client Expectations

CLIENT INVESTMENT MANDATE

Each client's specific investment objectives are expressed in a detailed investment mandate, which is based on actuarial asset and liability studies and approved by the FSCA. The complexities of managing these mandates differ and is a function of a number of factors, such as the size of the portfolios, risk parameters and the strategic asset allocation.

The PIC invests in assets such as:



- Listed Equities
- Listed Bonds
- Listed Properties
- Money Markets
- Offshore (Global)
- Rest of Africa
- Structured Investment Products (SIPs)

- Private Equity
- Unlisted Properties
- Impact Investing
- Rest of Africa

Investments in these assets assist the clients to realise their financial goals and social returns, whilst contributing towards inclusive growth. Social returns include, *inter alia*, job creation; empowerment; transformation; education and healthcare.

The table below represents each of the top five clients' listed asset allocation.

Listed Investment Asset Classes

CLIENT	LISTED EQUITIES	LISTED BONDS	MONEY MARKETS	SIPs	LISTED PROPERTIES	OFFSHORE (GLOBAL)	REST OF AFRICA
GEPF	✓	✓	✓	✓	✓	✓	✓
UIF	✓	✓	✓		✓	✓	
CC	✓	✓	✓				
CP	✓	✓	✓				
AIPF		✓	✓				

The table below represents each of the top five clients' unlisted asset allocation.

Unlisted Investment Asset Classes

CLIENT	PRIVATE EQUITY	UNLISTED PROPERTY	IMPACT INVESTING	OFFSHORE (GLOBAL)	REST OF AFRICA
GEPF	✓	✓	✓		✓
UIF		✓	✓		
CC			✓		
CP			✓		
AIPF					

Investment Process

POLICIES AND FRAMEWORKS

All transactions are subject to various policies and frameworks, which are based on international best practice and are aligned with applicable legislation and regulations. The Delegation of Authority (DoA) Framework, delegates responsibilities for different transactions to a variety of role-players in the investment divisions (i.e. Listed, Unlisted and Property Investments) as well as to employees in Risk Management, Legal, Compliance, Corporate Affairs and Investment Management. The DoA also outlines the powers of the Board as well as the committees of the Board and those of the Executive Directors.

GOVERNANCE

Rigorous interventions at various stages of the investment process.

INVESTMENT PROCESS

PIPELINE AND ORIGINATION

- Proactive deal origination and development of projects
- Deal sourcing and exploring existing contacts
- Walk-in opportunities
- Co-investments

SCREENING AND INITIAL DEAL STRUCTURING

- Mandate checks
- High-level risk analysis and preliminary ESG assessment
- PMC presentation
- High-level structure of the deal (preliminary)

DUE DILIGENCE

- Understanding the project development outcomes
- Determining feasibility and potential value creation plan and returns
- Assessing technical viability and competitiveness; financial viability; management ability; legal and risk issues; environmental; social and governance issues; potential development impact and sustainability

DEAL STRUCTURING AND DECISION

- Credit risk analysis
- Pricing and structuring
- Stress testing of the structure
- Deal presentation to relevant committees
- ESG report and corrective action plan
- Legal report
- Credit risk report
- Approvals

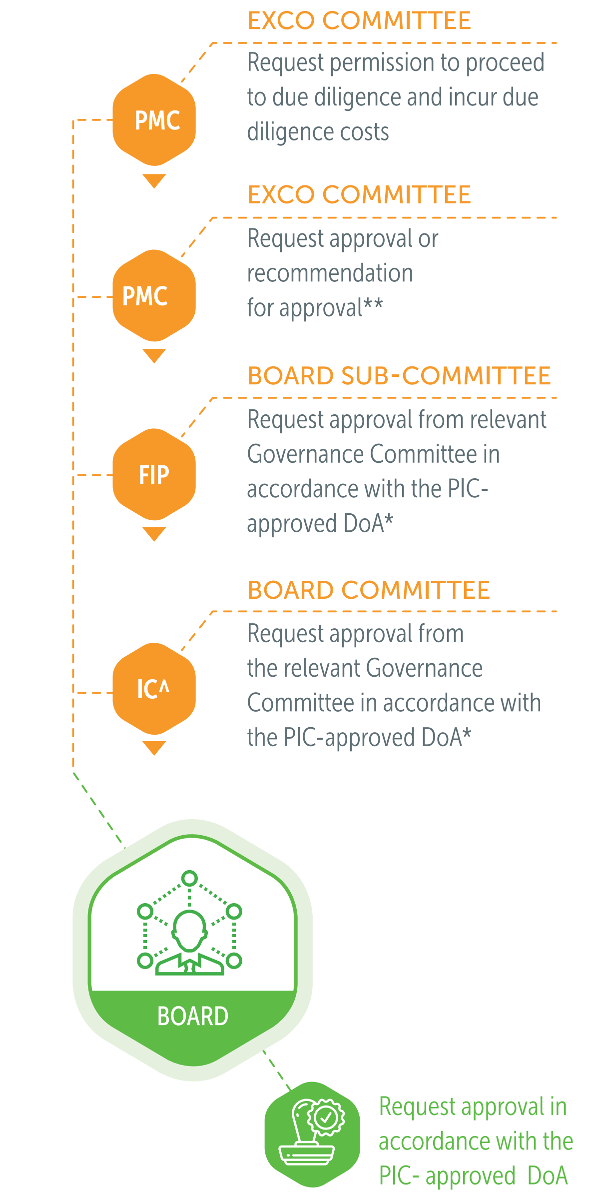
IMPLEMENTATION AND MONITORING

- Compiling legal agreements and meeting conditions
- Meeting all Regulatory approvals
- Disbursement of capital
- Ongoing monitoring of performance
- Continued interventions and support
- Board representation
- Engagements

VALUE ADD

- Enhance ESG business practices to enable sustainable business practices
- Identification and exploitation of synergies between investee companies
- Board representation
- Exit

THE INVESTMENT COMMITTEE APPROVAL PROCESS



* *All committees to approve investments operate in line with each Committees Terms of Reference*

** *In Line with DoA where PMC is delegated to approve*

^ *Detailed discussion on Investment Committee can be found on pages 161 to 163*

Risk Management

RISKS ASSOCIATED WITH THE PIC OPERATING ENVIRONMENT

Through our Vision 2030, our strategic intent is to ensure growth of assets under management (AuM) and long-term sustainability. Effective risk management is an integral lever in delivering of our strategy.

Risk Management involves the identification, assessment and prioritisation of, and response to risks that may impact on achieving strategic and operational objectives. The management, monitoring and reporting of these risks minimise the probability of negative events and maximise the potential of credible opportunities.

The PIC has identified strategic risks associated with its role and its interaction with various stakeholders, that include its clients, employees, the Shareholder, government, regulators, investee companies and the public. The Corporation develops appropriate risk responses and continuously updates them as the landscape shifts through risk identification and measurement.

The objectives of the Risk Management function remain to:

- Integrate risk concerns into the Corporation's daily decision-making and implementation processes;
- Identify and manage risks within risk appetite and risk tolerance parameters, which are aligned to the Board's strategy and objectives as well as client mandates;
- Improve the Corporation's ability to prevent, detect, correct, escalate and respond to critical risk issues by executing risk management plans and recommendations, and monitoring these effectively;
- Comply with appropriate risk management standards and best practices, including corporate governance guidelines and the King IV Code; and
- Create risk awareness to ensure that a risk-based approach is embedded in decision-making at operational and strategic levels of the Corporation.

ENTERPRISE-WIDE RISK MANAGEMENT

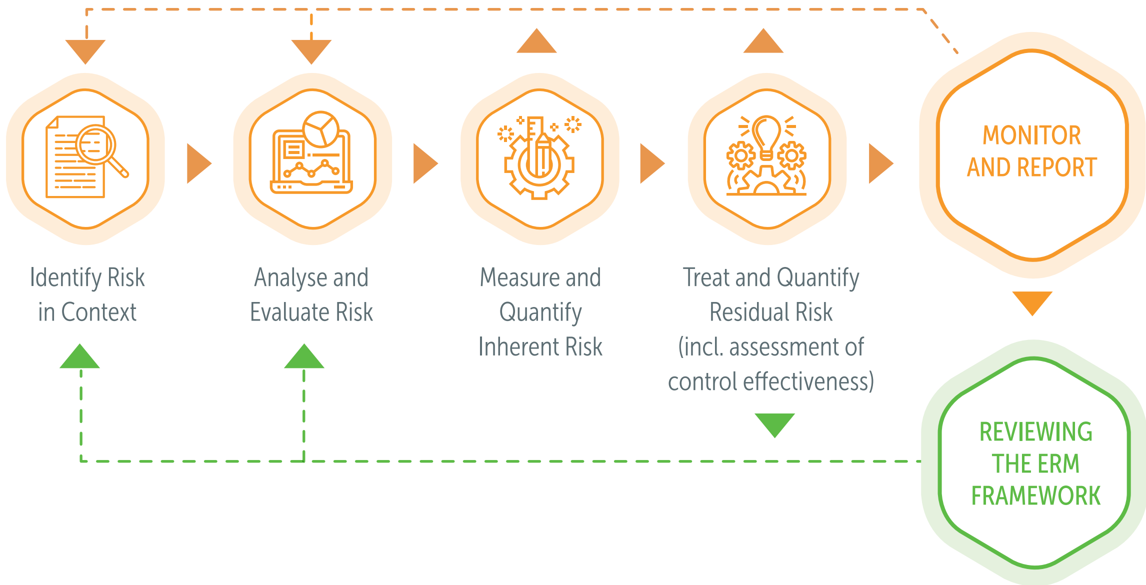
The PIC recognises that, in a complex financial services environment, risk management processes and strategies are evolutionary and subject to ongoing review and modification. The PIC has adopted an enterprise-wide approach to manage risk, defined in its Enterprise Risk Management Framework (ERMF). The ERMF codifies the approach to identify, measure, manage, report and monitor risks throughout the Corporation.

The principles of the ERMF, which are based on a strong governance structure, are embodied in the King Code, the ISO 31000 risk management standard and Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework. The ERMF guides the Corporation to define risk appetite and risk tolerance levels, inculcate a risk-aware culture and develop and implement risk-related policies and processes. These approaches assist the PIC to identify, assess, mitigate, monitor and report all key existing and emerging risks.

The PIC uses both top-down and bottom-up approaches to risk identification, assessment and mitigation to execute the ERMF. The approach entails risk workshops with the Executive Committee (EXCO), Audit and Risk Committee (ARC) and the Board. The focus of these workshops is to identify the key risks that may preclude the Corporation from achieving its strategic objectives and control measures to mitigate the risks.

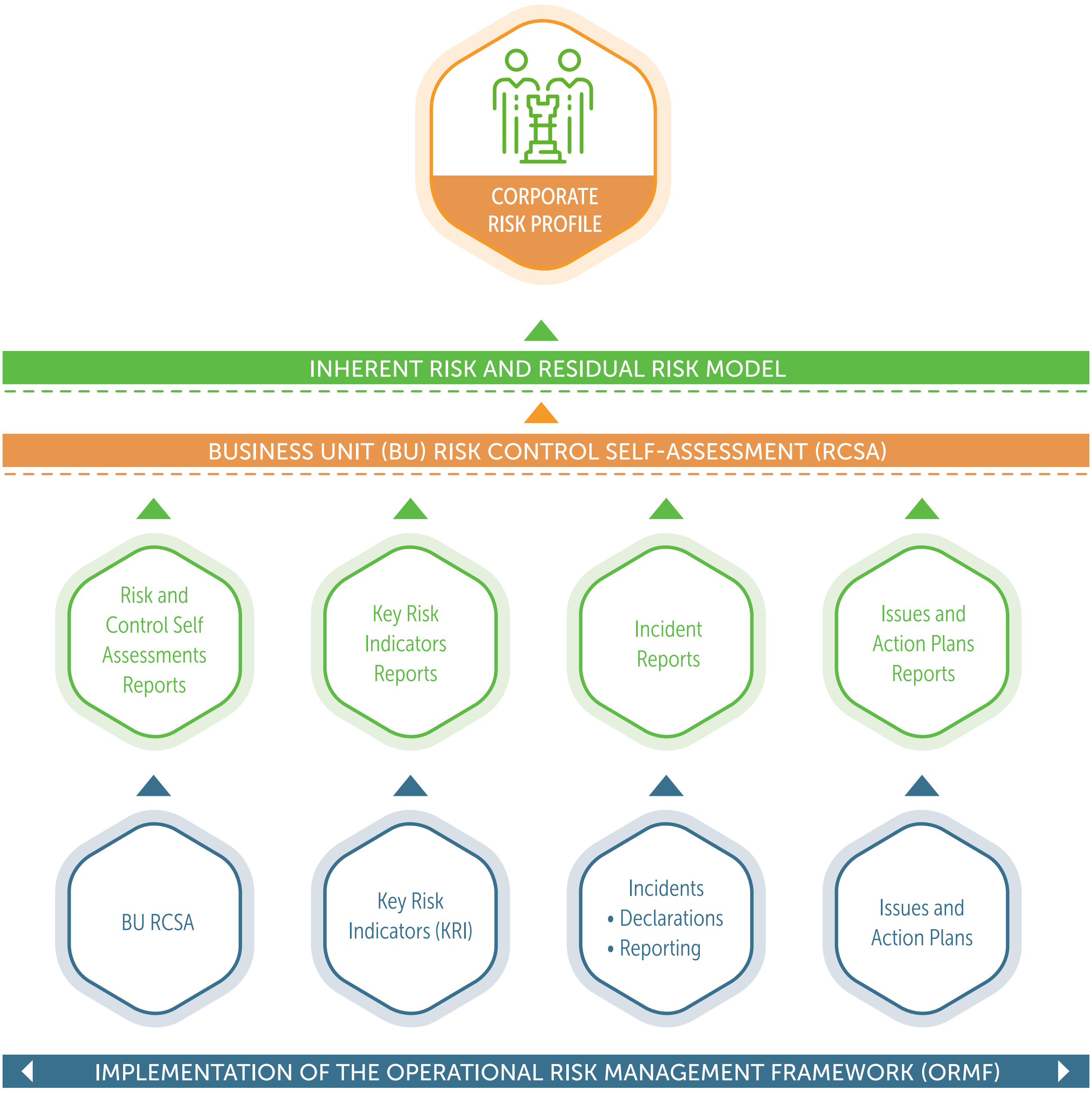
The ERMF follows the ISO 31000 risk management standard.

Enterprise Risk Management Process



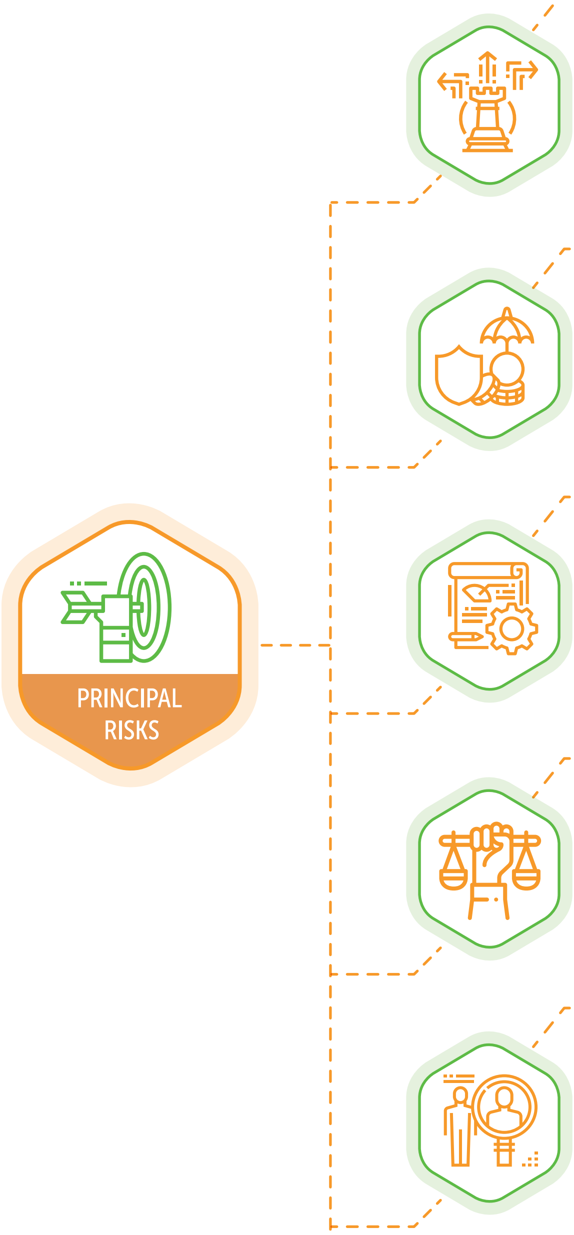
CORPORATE RISK PROFILE

The Operational Risk Management Framework (ORMF) follows from the ERMF and is used in managing day-to-day operational risks at the Corporation. The ORMF is integrated to provide a holistic view of the risk environment. This approach enables determination of the Corporate risk profile, which is periodically reviewed by the Risk department and reported to EXCO, the ARC and, at least annually, to the Board.



PRINCIPAL RISKS

The PIC has identified principal risk categories that are significant to the Corporation's strategic, investment, regulatory, legal, operational and reputational risks. Controls to manage the principal risks are embedded in the functions of various business units to ensure that the strategic objectives are met.



STRATEGIC RISK

The risk that we will make inappropriate strategic choices or be unable to successfully execute selected strategies or adapt to changes in the external business, political or socioeconomic environments

INVESTMENT RISK

The risk of loss due to participation in investment markets. It includes the market risk and credit risk in both internally and externally managed portfolios

OPERATIONAL RISK

The risk of loss resulting from inadequate or failed processes, people and systems or from external events

LEGAL AND REGULATORY RISK

The risk of loss due to actual or proposed changes to and/or non-compliance with applicable laws, regulations, rules, mandatory industry practices and internal policies and procedures

REPUTATIONAL RISK

The risk of loss of credibility due to internal or external factors and is often related to, or results from, other categories of risk

PRINCIPAL RISK MITIGATION

RISK TYPE	KEY MITIGANTS
Strategic Risk	• Adherence to client-approved mandates • Board-approved investment strategy • Shareholder compact and corporate plan aligned to national priorities • Strong governance to monitor implementation and reporting • Board-approved and enforced delegation of authority to ensure decisions are carried out responsibly • Quarterly reporting to the Board, National Treasury and all other stakeholders • Competitive employee value proposition for staff attraction and retention • Attraction, development and retention plans commensurate with those of market peers • Development of talent management and succession planning
Investment Risk	• PIC governance, mandate, risk management and regulatory compliance frameworks • Adoption of a robust investment process, underpinned by a strong investment philosophy • Risk management embedded in the investment process • Skilled investment professionals, with experience and understanding of markets • Sound asset selection and allocation • Insightful research and intelligence embedded in the investment process • Strong post-investment management process • Performance management systems for measurement, attribution and monitoring • Environmental, Social and Governance (ESG) embedded in the investment process
Regulatory and Legal Risk	• Capacitated and fully-fledged legal, governance and compliance division to support compliance by the Corporation • Periodic regulatory universe monitoring to ensure adherence and/or corrective action • Periodic regulatory compliance monitoring to ensure adherence and/or corrective action
Operational Risk	• Adoption and implementation of a robust ORMF • Adoption and implementation of a business continuity (BC) management framework and business unit BC plans • Regular testing of disaster recovery plans • Data management reviews and enhancements • Development and implementation of an anti-fraud and corruption prevention plan and policy • Development and implementation of the IT Strategy, IT Security Framework, and IT governance and risk management principles • Adoption of IT governance tools • Adoption of business process enablement
Reputational Risk	• Clean audits • Timeous, high-quality information to enable transparency in reporting • Reputational key risk indicator monitoring to assess reputational risk trends • Frequent improvement of the business environment and internal control factors • Implementation of the Stakeholder Management Framework

TOP RISKS EVALUATED

The PIC's corporate risk profile is a function of the inherent and residual risks of all the process-level business risks identified and assessed in the various business units. The corporate risk profile gives a panoramic view of the performance and rating of the PIC's principal risk landscape.

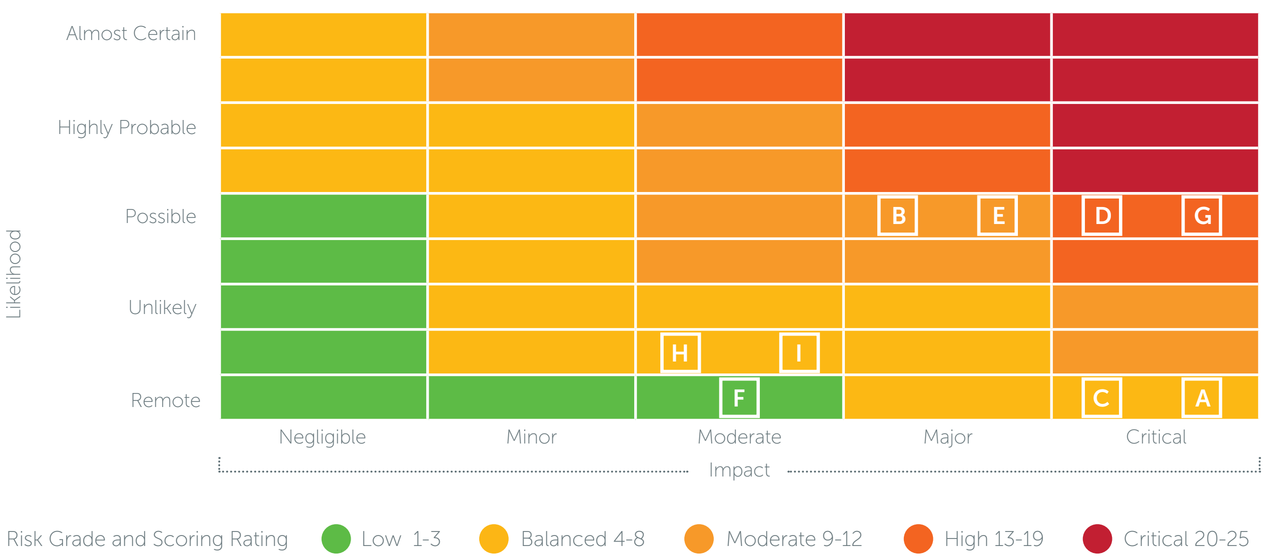
The approved risk measurement methodology defined in the ERMF is applied when evaluating identified risks. The heat map below reflects the Corporations residual risk position. Risk evaluation determines the strategy of managing the identified risk, ranking it and determining whether the risk should be terminated, tolerated, outsourced or managed.

For the period under review, internal and external stakeholders were subjected to the PIC scrutiny, which culminated in elevated reputational risk levels. The heat map below also reflects that some of the other top risks are outside of PIC's desired levels, where these risks are residually moderate and high. The Risk and Compliance departments identified areas of improvement to increase the effectiveness of the current risk management processes and systems. These include the acquisition of a new risk management system to further enhance the ability to assist in risk-based decision-making. The process of recruiting for key positions has started and will continue in 2019/20. This will assist the Corporation to bolster its skills, knowledge, capability and effectiveness of risk management to deliver on its obligations to clients. During the 2019/2020 period, a further review of the control environment for these risks will be undertaken to re-assess the adequacy thereof and where identified, new controls will be recommended for implementation in order to bring the residual risk levels within PIC's desired range.

The following are PIC's top risks, aligned to the principal risks:

	RISK	INHERENT RISK	RESIDUAL RISK
A	Alpha Generation	Critical	Balanced
B	Corporate Financial Sustainability	Critical	Moderate
C	Human Capital	Moderate	Balanced
D	Technology Risk	Critical	High
E	Operational Risk	Critical	Moderate
F	Inclusive Growth Risk	High	Low
G	Reputational Risk	Critical	High
H	PIC Corporate ESG	High	Balanced
I	Regulatory Risk	High	Balanced

The risk heat map below reflects the residual risk of the top risks.

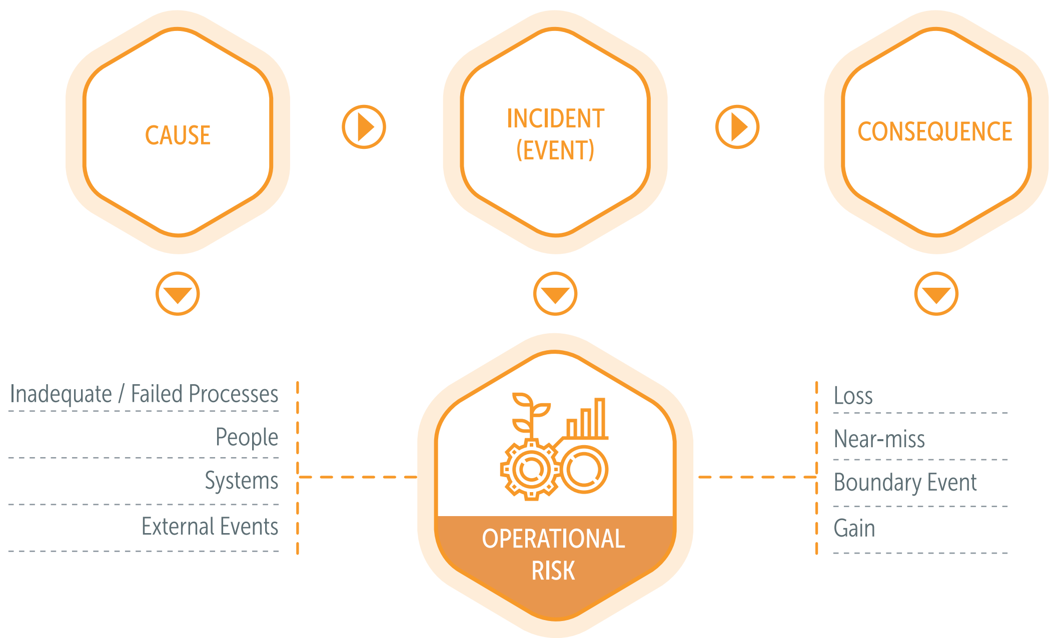


OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss from inadequate or failed processes, people and systems, or from external events. This definition includes legal, risk but excludes strategic and reputational risk.

The diagram below shows the activities involved when an operational risk crystallises. These activities allow the PIC to establish the root cause of operational risks, implement appropriate controls and prevent risks from recurring.

Cause-Incident/Event-Consequence Relationship



Operational risk management is a separate function of the PIC's Risk and Compliance departments, which carries out its activities in accordance with the ERMF and ORMF. In the coming financial period, the operational risk function will implement aspects of its ORMF to provide additional insights for management and Board consideration as well as to ensure more proactive reporting of risk drivers.

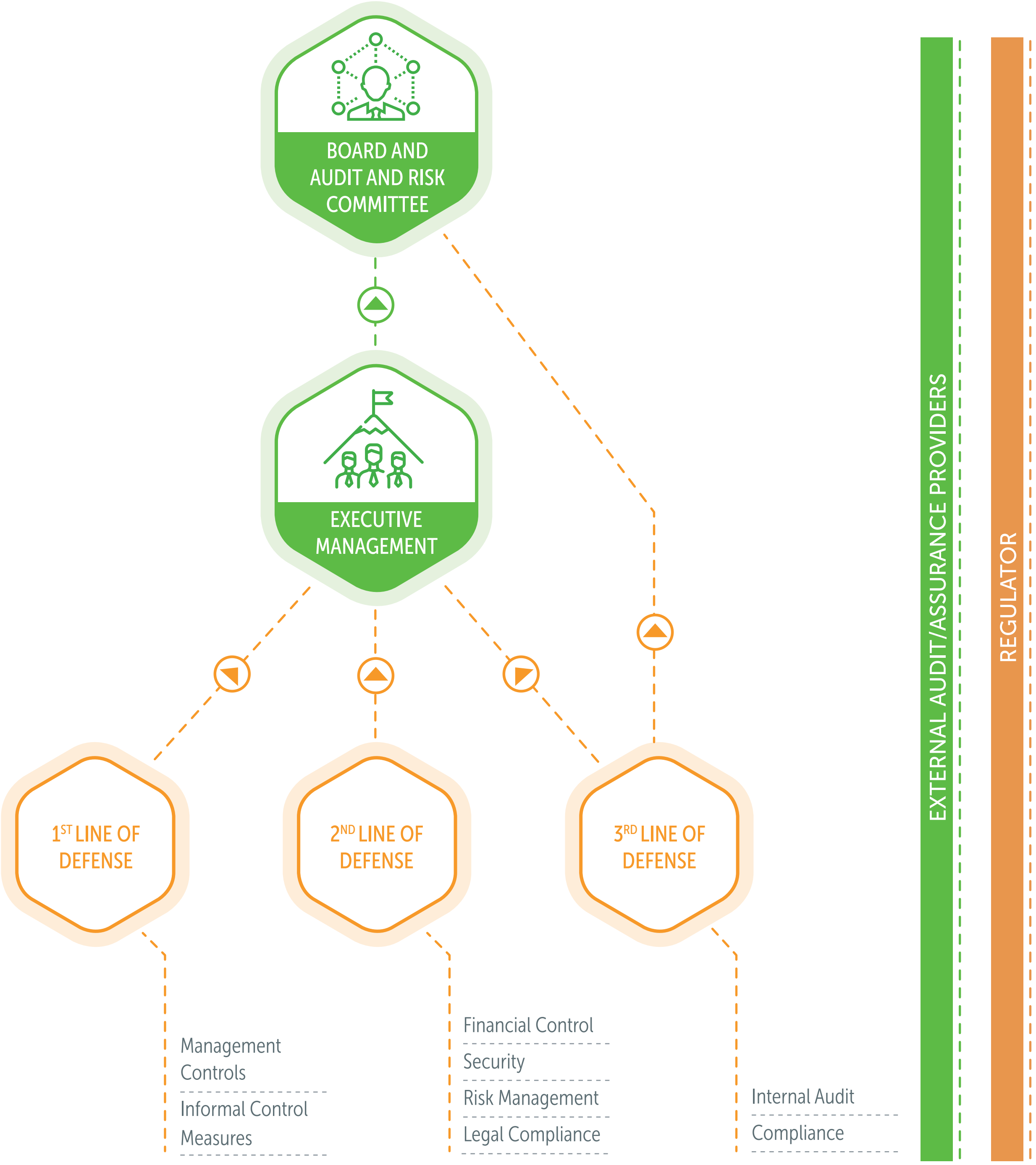
GOVERNANCE, RISK AND COMBINED ASSURANCE

The PIC maintains a combined assurance approach to risk management. The Board is ultimately responsible for the governance of risk. The Board delegates its responsibilities to the various board sub-committees, which, in turn, delegate these to PIC Management and EXCO. Day-to-day risk management activities are undertaken at business unit level. These risks and responses to risk are reported on and communicated periodically to PIC Management, EXCO and the Board.

Risk Management, Compliance, Legal and Internal Audit participate in the annual review of the enterprise-wide risks and in the development and assessment of the Corporation's single risk universe. In addition, these combined assurance providers review reports and recommendations by the External Auditors as part of the control effectiveness assessment. Further to this, EXCO, the Board, the External Auditor and Regulators also provide oversight.

RISK MANAGEMENT FRAMEWORK

The Three Lines of Defense Model



Having observed the proceedings of the Commission of Inquiry into allegations of impropriety, and in anticipation of the Commission's findings with respect to potential lapses in corporate governance standards, the PIC will in 2019/20, initiate further actions to strengthen, and coordinate enterprise-wide risk management to be led by the Internal Audit, Risk and Compliance divisions (including Legal).

The Combined Assurance Framework – with the adoption of the 'Three Lines of Defense Model' – remains central to the institution's enterprise-wide Risk Management Framework and will be enhanced to clearly outline the roles and responsibilities within the combined assurance model for First, Second and Third Lines of Defense. The combined assurance framework will introduce formal processes for monitoring and periodic reporting to the relevant PIC governance structures.

BUSINESS CONTINUITY RISK MANAGEMENT

Business continuity (BC) risk involves adverse events that can impact the Corporation's ability to operate or resume operations following a major business disruption.

The PIC has adopted a comprehensive BC management framework, which expands on its previous methodology of managing BC risks. The Corporation conducts an annual business impact analysis that informs the design of the business continuity plans (BCP) and IT disaster recovery plans. These plans are tested periodically in alignment with best practice.

In the most recent review of BC management, the framework design took account of best practice and alignment with the ISO22301 standard. In 2019/20, the Corporation will adopt and implement a new BC management framework in order to obtain ISO certification.

COMPLIANCE

The PIC considers compliance with applicable laws, regulations, industry codes, its internal policies and ethical standards to be an integral part of business operations. The PIC has a Compliance function that is responsible for monitoring compliance with legislation, policies and procedures and provide compliance assurance to Management, Board and Regulators. While the PIC Board remains ultimately responsible for compliance with legislation, the Compliance function advises on applicable legislation as well as the effectiveness and adequacy of the controls in place. The PIC complies with several pieces of legislation and requirements, including but not limited to the following Acts, which are highly relevant to the operations of the PIC:

KEY LEGISLATION/LAWS	PIC
Public Investment Corporation Act, 2004	✓
Financial Advisory and Intermediary Services Act, 2002	✓
Financial Intelligence Centre Amendment Act, 2017	✓
Collective Investment Schemes Control Act, 2002	✓
Financial Markets Act, 2012	✓
JSE Listing Requirements, 2017	✓
Public Finance Management Act, 1999	✓
Companies Act, 2008	✓
Pension Funds Act, 1956	✓
UK's Financial Services and Markets Act, 2000	✓
Prevention of Organised Crime Act, 1998	✓

PART 03

GENERATING LONG-TERM SUSTAINABLE RETURNS

CONTENTS

Creation of Financial Returns

ECONOMIC REVIEW 2018/19

Global Economic Conditions and Outlook

In 2017, the International Monetary Fund (IMF) projected global growth of 3.9% in 2018 and 2019 as economic activity was accelerating in most regions. The robust and synchronised global growth experienced in 2017 and early 2018 has now faded. In its April 2019 World Economic Outlook (WEO), the IMF recognised that growth in the second half of 2018 was significantly weaker owing to US-China trade tensions, macroeconomic stress in Argentina and Turkey and tighter financial conditions as some large economies began to hike interest rates. This weakness is expected to persist through the first half of 2019, as the IMF now projects a decline in growth in 2019 for 70% of the global economy. Global growth, which peaked at close to 4% in 2017, softened to 3.6% in 2018 and is projected to decline further to 3.2% in 2019.

The IMF expects global growth to pick up in the second half of 2019, supported by policy accommodation in major economies, the absence of inflationary pressures and closing output gaps. The change in tone of communication by major central banks has been an important contributor to the easing of financial conditions since early 2019. The US Federal Reserve (Fed), in response to weakening domestic growth prospects and a slowing global economy, changed its monetary policy stance from keeping rates on hold to cutting rates over the medium term. The European Central Bank (ECB), the Bank of Japan (BoJ) and the Bank of England (BoE) have also all shifted to a more accommodative stance. China has ramped up its fiscal and monetary stimulus to counter the negative effect of trade tariffs. Furthermore, the outlook for US-China trade tensions has improved as the prospects of a trade agreement take shape. All of these factors have supported risk appetite in the capital markets.

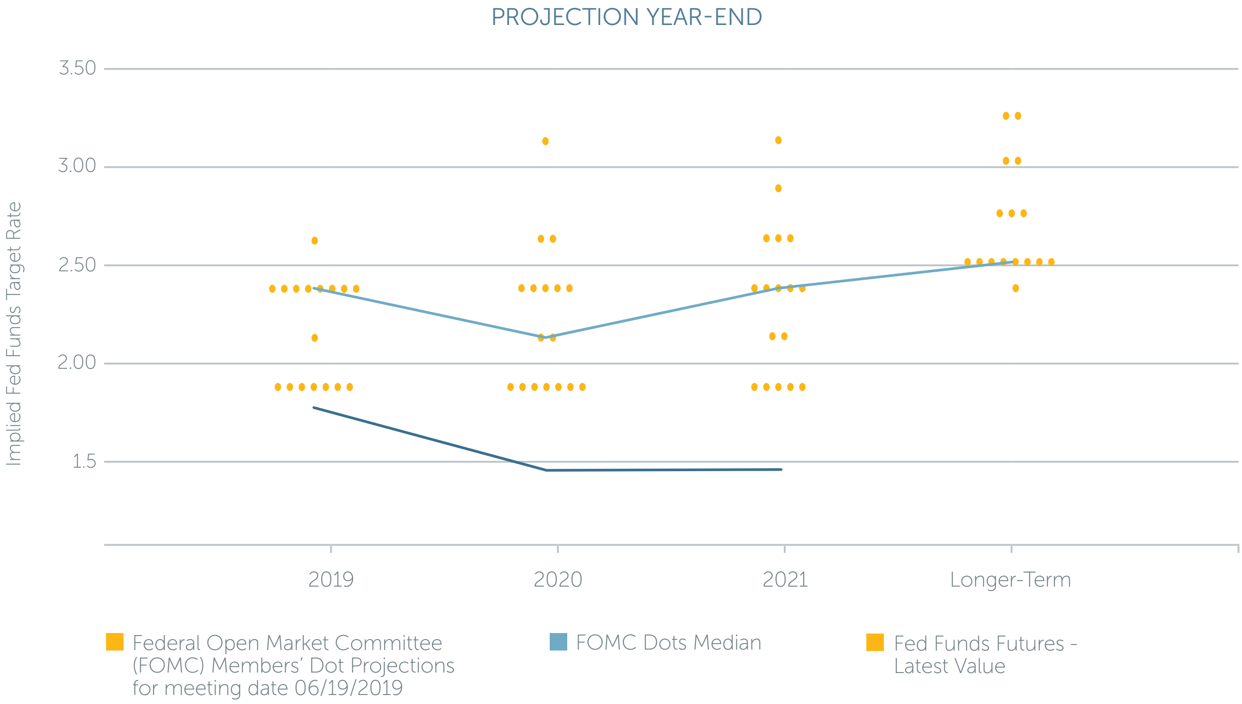
Global growth is projected to return to 3.5% in 2020 on the back of a rebound in Argentina and Turkey and some improvement in other stressed emerging markets (EMs). This is highlighted as a key risk by the IMF, as it is subject to considerable uncertainty. Beyond 2020, growth is expected to stabilise at around 3.5%, bolstered mainly by growth in China and India.

Advanced Economies

According to the IMF, growth in advanced economies will continue to slow gradually, as the impact of US fiscal stimulus fades and growth trends toward the modest potential for the group, owing to aging populations and low productivity growth. Growth in advanced economies is projected to slow from an estimated 2.2% in 2018 to 1.9% in 2019 and 1.7% in 2020.

US growth remains steady amidst a tight labour market and strong consumption growth. The US economy grew by 2.9% in 2018, up from 2.2% in 2017. Looking ahead, the IMF revised growth in the US 0.3 percentage points higher in 2019, and it is now expected to grow by 2.6%, before moderating to 1.9% in 2020 on the back of unwinding fiscal support. The upward revision to 2019 growth reflects stronger than expected first quarter performance while a more accommodative monetary stance should underpin growth in 2020 as the fiscal stimulus dissipates. The Fed raised the target range for the federal funds rate between 2.25% to 2.50% in December 2018 and at the time, signalled a more gradual pace of rate hikes in 2019 and 2020. In January, communication by the Fed suggested a patient and flexible approach to policy normalisation and at its June meeting, it signalled rate cuts on the back of subdued inflation and risks to US growth. At the end of July, the Fed cut interest rates by 25 basis points for the first time since the 2008/09 financial crisis and is expected to continue cutting through to 2020/early 2021. US rates are likely to be close to zero percent once the cutting cycle ends. Already bond yields have dropped and can be anticipated to fall further, resulting in a steeper yield curve. In a low interest rate environment, the US dollar is expected to depreciate and EM currencies and assets to benefit.

US Fed dot plot indicates cutting of rates



Source: Bloomberg

Growth in the Eurozone slowed more than expected, as a combination of factors weighed on activity across countries. This included weaker consumer and business sentiment; delays associated with the introduction of new fuel emission standards for diesel-powered vehicles in Germany; fiscal policy uncertainty; elevated sovereign spreads; softening investment in Italy; and protests that disrupted retail sales and weighed on consumption spending in France. Growing concerns about a no-deal Brexit are also likely to have weighed on investment spending in the Eurozone. The IMF forecasts growth in the Eurozone to moderate from 1.8% in 2018 to 1.3% in 2019 (0.6 percentage points lower than projected in October) and 1.5% in 2020. Although growth is expected to improve in the first half of 2019 as some of the temporary factors that held activity back dissipate, carryover from the weakness in the second half of 2018 is expected to hold the 2019 growth rate down. Growth rates have been marked down for many economies, notably Germany (due to soft private consumption, weak industrial production and subdued foreign demand), Italy (due to weak domestic demand) and France (due to the negative impact of protests). These are the three largest economies in the Eurozone and make up almost two-thirds of total GDP in the region. In line with its communication throughout 2018, the ECB ended its net asset purchases in December. In March 2019, the ECB announced a new round of targeted bank financing and further confirmed that monetary policy will remain accommodative. More recently the ECB indicated that it may either lower interest rates or relaunch its bond buying programme.

Japan's economy is set to grow by 0.9% in 2019 mainly reflecting additional fiscal support, including measures to mitigate the effects of the planned consumption tax rate increase in October. This revision mainly reflects additional fiscal support in 2019, including measures to mitigate the effects of the planned consumption tax rate increase in October. Growth is projected to moderate to 0.4% in 2020 (0.1 percentage points higher than in the October 2018 WEO), reflecting the effects of the aforementioned mitigating measures. One of the key risks to growth in Japan stems from its ageing population and slower labour force growth, which are expected to weigh on potential output growth in the long-term. The Bank of Japan has taken an increasingly more cautious view on the outlook and is expected to continue providing stimulus by keeping long-term rates near zero through 2020 and adding to its balance sheet.

There is substantial uncertainty around the baseline projection of 1.3% and 1.4% growth in the UK in 2019 and 2020. The downward revisions relative to the October 2018 IMF World Economic Outlook (WEO) reflect the negative effect of prolonged uncertainty about the Brexit outcome, only partially offset by the positive impact from fiscal stimulus announced in its 2019 budget. In its baseline projection, the IMF assumes that a Brexit deal is reached in 2019 and that the UK gradually transitions to the new regime. The Bank of England has indicated that it will act in the event of a disorderly Brexit. Risks in the UK remain tilted to the downside.

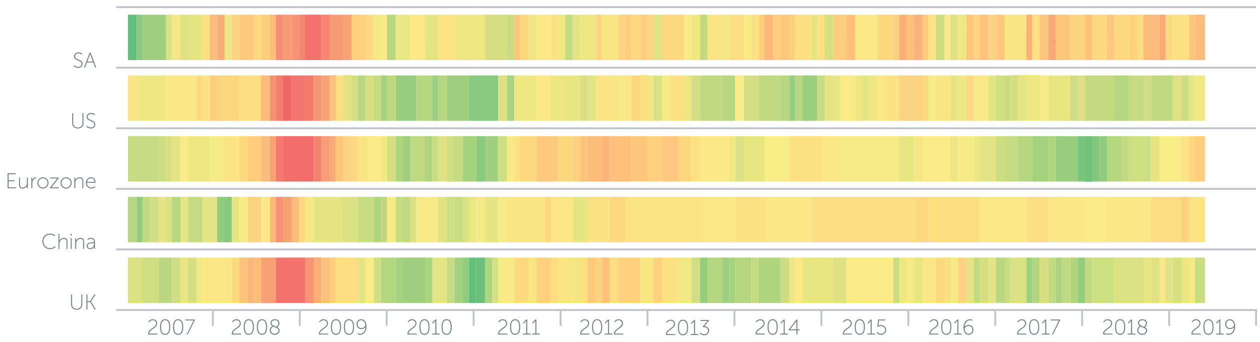
Economic growth in selected countries

	ACTUAL	FORECAST		DIFFERENCE FROM APRIL 2019	
	2018	2019	2020	2019	2020
World	3.6	3.2	3.5	-0.1	-0.1
Advanced Economies	2.2	1.9	1.7	0.1	0.0
United States	2.9	2.6	1.9	0.3	0.0
Eurozone	1.8	1.3	1.6	0.0	0.1
United Kingdom	1.4	1.3	1.4	0.1	0.0
Japan	0.8	0.9	0.4	-0.1	-0.1
Emerging and developing economies	4.5	4.1	4.7	-0.3	-0.1
China	6.6	6.2	6.0	-0.1	-0.1
Brazil	1.1	0.8	2.4	-1.3	-0.1
Russia	2.3	1.2	1.9	-0.4	0.2
India	6.8	7	7.2	-0.3	-0.3
Sub-Saharan Africa	3.1	3.4	3.6	-0.1	-0.1
Nigeria	1.9	2.3	2.6	0.2	0.1
South Africa (IMF forecast)	0.8	0.7	1.1	-0.5	-0.4
South Africa (PIC forecast)	0.8	0.5	1.2	-0.4	-0.1

Source: IMF World Economic Outlook, April 2019

The heat map on the next page shows how the manufacturing purchasing managers indices (PMIs) have moved since right before the financial crisis to the beginning of 2019. Prior to the 2008/09 crisis, most of the major economies, apart from the US, were in the 'green territory', meaning that their PMI readings were strong and sentiment for future manufacturing production was in expansionary territory. The effects of the crisis saw PMIs head into contractionary territory in most major economies. However, two key observations are that it did not hit the shores of China as hard, while it lasted relatively longer in South Africa than in other economies. South Africa has since struggled to enter the 'green territory' and, especially more recently, appears to be very volatile relative to other countries. This is likely to continue given domestic idiosyncratic risks, including protracted state-owned enterprise (SOE) funding issues and lack of domestic demand and a slowing global trade. Although China headed into expansionary territory right after the crisis, it has since remained in the yellow area, meaning that momentum in its manufacturing sectors has moved largely sideways. We can expect this to continue through 2019 amid uncertainty around a trade deal. However, if China takes advantage of new trading regions, which we believe they are capable of, sentiment could improve towards the end of the year. PMIs in major economies have again been in negative territory since February/March 2019 as global trade policy uncertainty is negatively weighing on industrial production and its outlook.

PMI heat map for major economies



Source: Bloomberg, Market, PIC Research

Emerging Markets (EMs)

Growth in EMs is expected to tick down to 4.1% in 2019 (from 4.5% in 2018), 0.3 percentage points lower than in the October 2018 IMF WEO. The decline in growth relative to 2018 reflects lower growth in China and the recession in Turkey, with an important carryover from weaker activity in late 2018. Conditions are projected to improve during 2019 as stimulus measures sustain activity in China and recession strains gradually ease in economies such as Argentina and Turkey. In 2020, growth is projected to rise to 4.7%, driven almost entirely by an expected strengthening of activity in these economies on the back of policy adjustment and some easing of strains in countries affected by conflict and geopolitical tensions. The IMF expects growth to stabilise at around 5% in the medium term, although with considerable variance among countries as subdued commodity prices and civil strife weaken prospects for some.

In China, the authorities have responded to the slowdown in 2018 by limiting the extent of financial regulatory tightening, injecting liquidity through cuts in bank reserve requirements, and reducing the personal income tax and value-added tax for small and medium enterprises. Nevertheless, if trade tensions fail to ease, activity may fall short of expectations. Furthermore, excessive stimulus to support near-term growth through loosening of credit standards, or a resurgence of shadow banking activity and off-budget infrastructure spending, would heighten financial vulnerabilities, reduce future policy space and raise downside risks to medium-term growth. China's economy is predicted to slow to 6.2% in 2019, from an estimated 6.6% in 2018, due to the combined influence of needed financial regulatory tightening and trade tensions with the US. The IMF projects a gradual slowdown in China to 5.5% by 2024 as internal rebalancing toward a private-consumption and services-based economy continues and regulatory tightening slows the accumulation of debt and associated vulnerabilities.

By contrast, growth in India is projected to pick up to 7.0% in 2019 and 7.2% in 2020, supported by the continued recovery of investment and robust consumption amid a more expansionary stance on monetary policy and some expected impetus from fiscal policy. Growth in India is expected to stabilise at just under 7.8% over the medium term, based on continued implementation of structural reforms and easing of infrastructure bottlenecks. In the near term, election- and geopolitical-related risks remain key focal points.

Stable but moderate growth is projected in Latin American countries as structural rigidities, subdued terms of trade and fiscal imbalances weigh on the outlook. In Brazil growth is expected to moderate to 0.8% this year from 1.1% in 2018 as uncertainty around pension reforms put investment projects on hold and the global backdrop is weighing on exports.

In sub-Saharan Africa, growth is expected to pick up to 3.4% in 2019 and 3.6% in 2020 (from 3.0% in 2018). Growth prospects for commodity exporters are weighed down by the soft outlook for commodity prices. Growth in Nigeria and Angola is expected to reach about 2.6% and 3.9%, respectively, in the medium term.

Central banks in many emerging market economies (Chile, Indonesia, Mexico, Philippines, South Africa) have lifted policy rates since October 2018 because of concerns that inflation may rise following the increase in oil prices in 2018 and, for some countries, pass-through from previous currency depreciation. In China, the central bank provided liquidity support and reduced reserve requirements for all banks as growth moderated. Following ongoing adjustments to rein in financial imbalances in Argentina and Turkey, spreads for both have declined. With major economies having communicated the possibilities of loosening monetary policy, several EMs have scope to reduce interest rates too on the back of well contained inflation, moderating Brent crude prices and the expectation of relatively firmer currencies.

The IMF notes that if trade tensions are resolved quickly and lead to a rebound in sentiment, global growth could surprise on the upside. However, the balance of risks remains tilted to the downside despite the already benign outlook:

- There is an uneasy truce on trade policy, as tensions could flare up again and play out in other areas (such as the auto industry in the US and Eurozone), with large disruptions to global supply chains;
- Growth in China may surprise on the downside;
- The risks surrounding Brexit remain heightened;
- A sharp deterioration in market sentiment, which would imply portfolio reallocations away from risk assets, wider spreads over safe-haven securities and generally tighter financial conditions, especially for vulnerable economies; and
- A rapid reassessment by markets of the monetary policy stance in the US could also tighten global financial conditions similar to developments in Q4 2018.

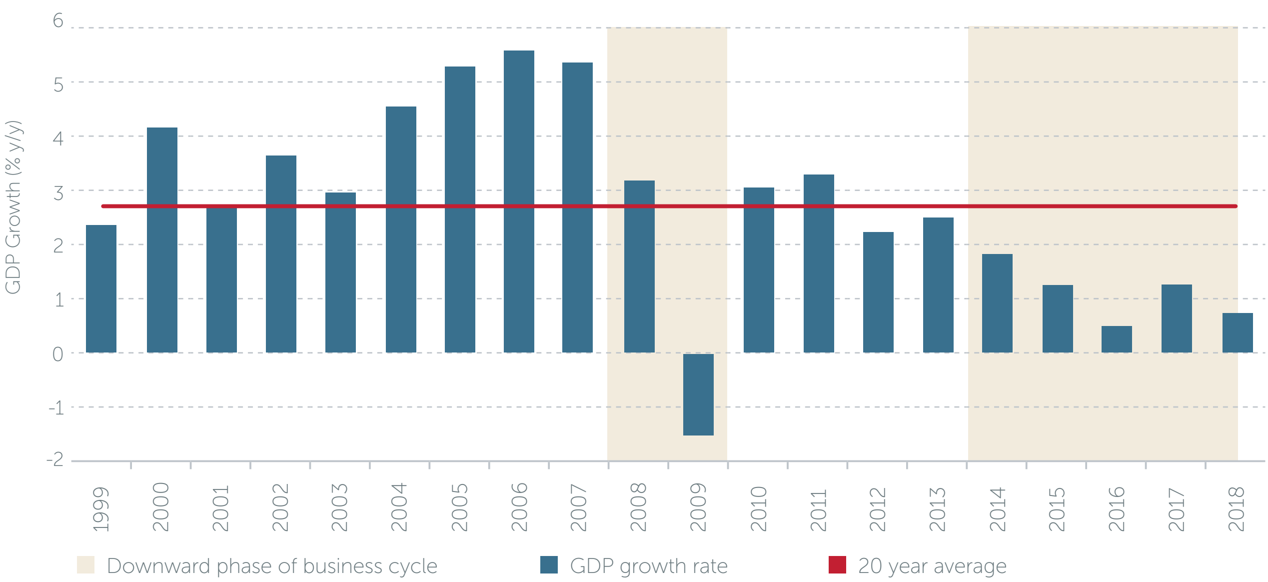
Synopsis

Growth in the global economy is set to plateau at 3.6% over the medium term and synchronised robust growth has faded. Growth in advanced economies is projected to moderate further over the medium term as the underlying structural headwinds to potential output such as weak productivity growth and slowing labour force growth assert downward pressure on potential growth. Growth for emerging markets is expected to stabilise broadly after 2020, but with significant heterogeneity among countries. Given limited space in both monetary and fiscal policy for many countries, costly mistakes need to be avoided. The IMF suggests fiscal policy manages trade-offs in supporting demand and ensuring that public debt remains on a sustainable path, while monetary policy remain data-dependent, but well communicated, to ensure that inflation expectations remain anchored.

South Africa economic review and outlook

Economic growth moderated from 1.4% in 2017 to 0.8% in 2018. The economy experienced a technical recession in the first half of 2018 after experiencing two consecutive quarters of contraction, before rebounding to 2.6% and 1.4% quarter on quarter seasonally adjusted annual role in the third and fourth quarters, respectively. The slowdown reflects a contraction in real economic activity in the primary sector, by 2.5% in 2018 after strong performance of 8.0% in 2017. By contrast, the real output of the secondary sector increased by 0.5% in 2018 following a small contraction of 0.2% in 2017, while growth in the real gross value added (GVA) by the tertiary sector accelerated marginally by 1.3% in 2018 from 1% in 2017. Over the last seven years, GDP has performed worse than its long-term average of 2.8%, coinciding with the current downward phase of the business cycle that started in December 2013.

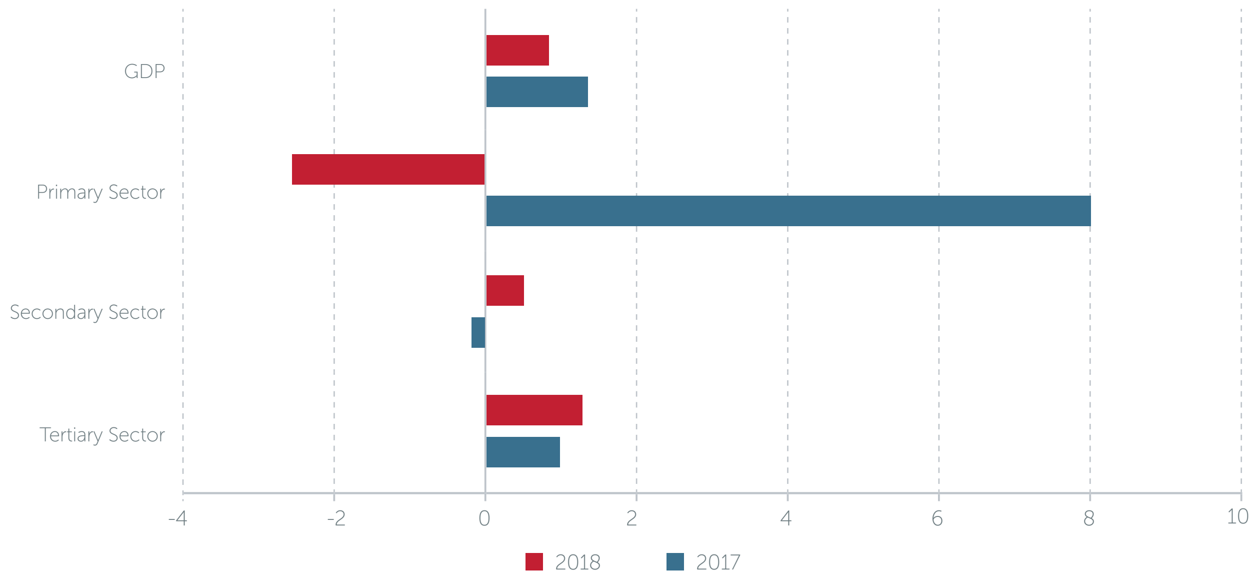
Real GDP growth – South Africa



Source: Stats SA, PIC Research

Real GVA in the primary sector contracted by 2.5% in 2018 and subtracted 0.2 percentage points from overall annual GDP growth in 2018 following strong growth of 8% in 2017. Both the agricultural and mining sectors experienced negative growth of 4.8% and 1.7%, respectively, when compared to relatively strong growth of 21.1% and 4.2% in the preceding year. The agricultural sector experienced its own technical recession in the first half of 2018 on the back of erratic weather conditions, severe drought in certain areas of the country and the protracted debate around land reform, which weighed on sentiment. The sector rebounded in the latter part of the year, reflecting higher field crop production and an improvement in the Western Cape's agricultural output following better weather conditions than in the previous year. According to the first production estimate by the Department of Agriculture, Forestry and Fisheries' Crop Estimates Committee, a commercial maize harvest of 10.51 million tons is expected for the 2018/19 season, 16.0% less than the final 2017/18 crop but still more than the 2014/15 and 2015/16 harvests. Sufficient stocks from the previous year should ensure that the availability of maize exceeds the estimated domestic demand. Real GVA in the mining sector contracted by 1.7% in 2018 following an increase of 4.2% in 2017. The contraction emanated mainly from lower production of iron ore, gold, coal and copper as some commodities faced a weaker global price and increasing operating costs. By contrast, platinum group metals production improved in 2018 on the back of higher global demand for palladium used in the manufacturing of hybrid vehicles. Global growth concerns and the US-China trade dispute weighed on commodity prices in 2018, while the domestic mining sector was also adversely affected by rising input costs, including electricity and water tariffs as well as fuel prices.

Sector growth rates 2017 vs 2018



Source: Stats SA, PIC Research

Real GVA in the secondary sector grew by a moderate 0.5% in 2018 following a decline of 0.2% in 2017 on the back of a rebound in manufacturing and some improvement in the electricity sector compared to the previous year. The real GVA by the manufacturing sector increased by 1% in 2018 after contracting by 0.2% in 2018, driven by higher production of food and beverages; motor vehicles, parts and accessories, and basic iron and steel products. The depreciation in the exchange value of the rand rendered domestically produced manufactured products more competitive and supported increased production in the export-orientated industries in 2018. The real output of the electricity, gas and water sector increased by a modest 0.9% in 2018, from 0.6% in 2017. In 2018, activity was adversely affected by Eskom's continued supply disruptions to some defaulting municipalities and load shedding towards the end of the period due to ageing power stations, coal-supply shortages, theft and vandalism and labour unrest. The real output of the construction sector declined by 1.2% in 2018 from a fall of 0.6% in 2017, as the sector entered its own technical recession in the second half of the year with the decrease in activity in civil construction and residential and non-residential building.

Growth trends in components of GDP

	2017	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018
Agriculture, forestry and fishing	21.1	-33.7	-42.3	13.7	7.9	-4.8
Mining and quarrying	4.2	-9.1	8.1	-8.9	-3.8	-1.7
Manufacturing	-0.2	-8.4	1.4	7.5	4.5	1.0
Electricity, gas and water	0.6	1.0	0.7	0.8	0.2	0.9
Construction	-0.6	-2.3	1.5	1.7	-0.7	-1.2
Trade, catering and accommodation	-0.3	-3.0	-1.2	3.4	-0.7	0.6
Transport, storage and communication	1.4	1.4	-3.8	6.8	7.7	1.6
Finance, real estate and business services	2.1	1.0	1.7	2.1	2.7	1.8
General government services	0.3	2.1	0.2	1.9	-0.6	1.3
Personal services	1.3	1.2	0.8	0.6	1.7	1.0
GDP	**1.4**	**-2.7**	**-0.5**	**2.6**	**1.4**	**0.8**

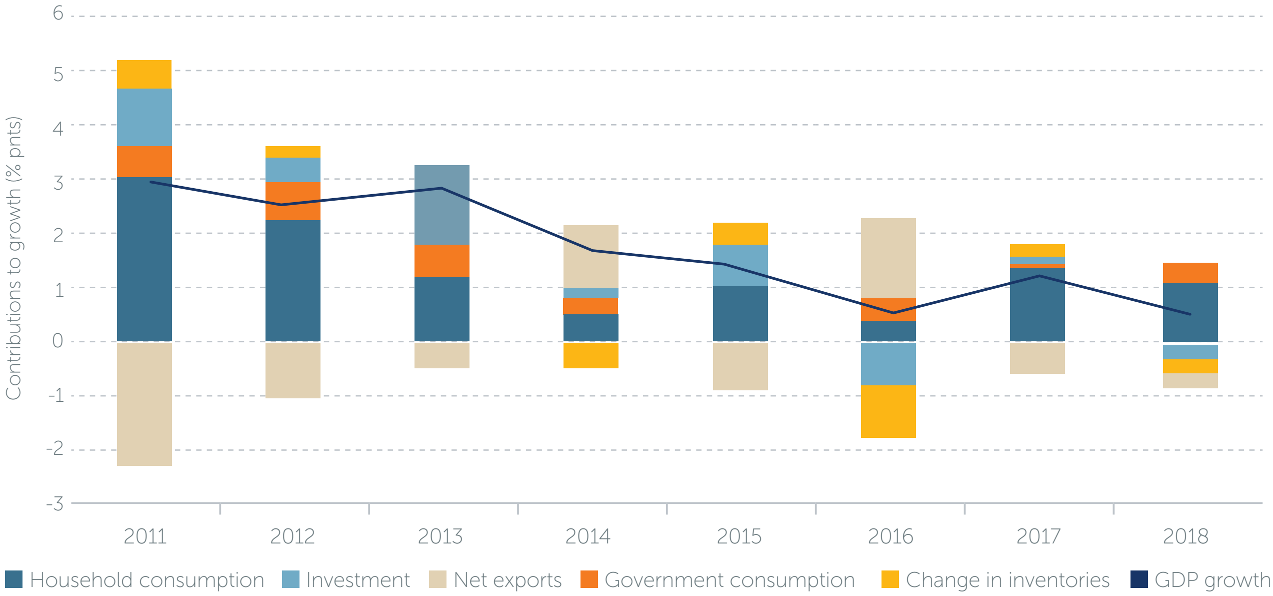
Source: Stats SA, PIC Research

The tertiary sector, which is the largest contributor to growth (making up almost 70% of total GDP) grew by 1.3% in 2018, from 1% in the previous year, as trade, transport and general government performed better through the year. Real output growth in the trade sector increased by only 0.6% in 2018 after contracting by 0.3% in 2017 on account of weak consumer demand. This is further reflected in the quarterly growth rates, as the sector experienced only one-quarter of strong growth - the third quarter of 2018. The real output of the transport, storage and communication sector expanded by 1.6% in 2018, from 1.4% in 2017. The activity was especially robust in the latter part of the year as both land transport and transport support services increased. Growth in the real GVA by the finance, insurance, real estate and business services sector moderated to 1.8% in 2018, from 2.1% in 2017. Financial intermediation, insurance, auxiliary activities and real estate activity supported faster growth. An increase in employment growth led to an acceleration in real output of the general government services sector of 1.3% in 2018, from an increase of 0.3% in 2017.

Real final consumption expenditure by households and by general government was the only component to add positively to growth in 2018, contributing 1.1 and 0.4 percentage points respectively to growth in real GDP in 2018.

Household consumption expenditure growth slowed somewhat to 1.8% in 2018 compared to 2.1% in 2017. Real spending on durable goods, semi-durable goods and services moderated, while expenditure on non-durable goods edged slightly higher. Positively, for 2018 as a whole, the ratio of both household debt and debt service cost to disposable income decreased.

Demand-side contribution to GDP growth



Source: Stats SA, PIC Research

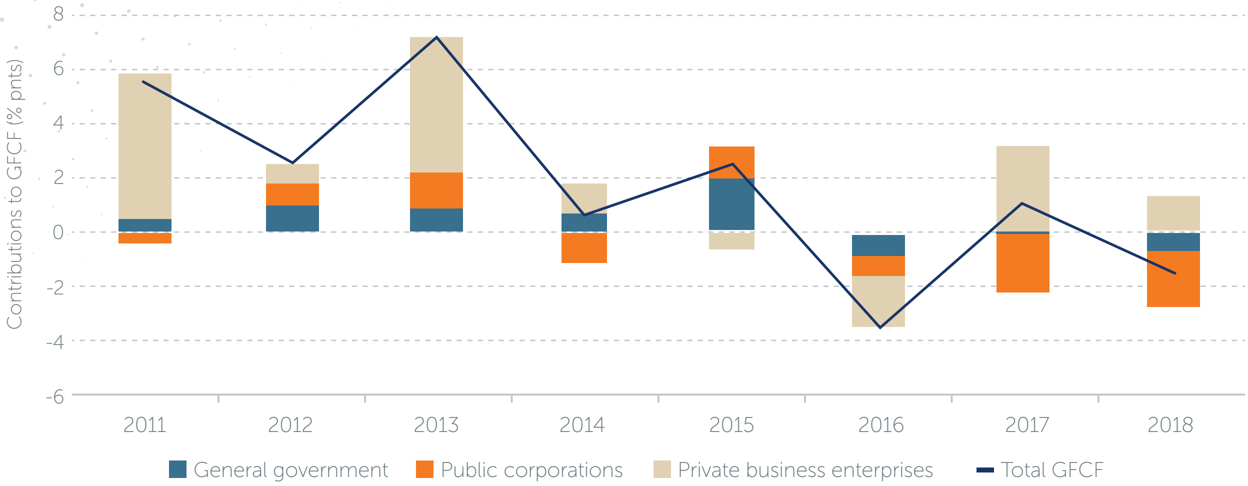
Growth in real final consumption expenditure by general government accelerated from 0.2% in 2017 to 1.9% in 2018, as real spending increased on non-wage goods and services and on the compensation of employees. The nominal compensation of employees relative to final consumption expenditure by general government increased from 62.5% in 2010 to 65.8% in 2018, lifting the ratio of nominal final consumption expenditure by general government to GDP from 20.2% to 21.3% over the same period.

Nominal government expenditure

Source: Stats SA, PIC Research

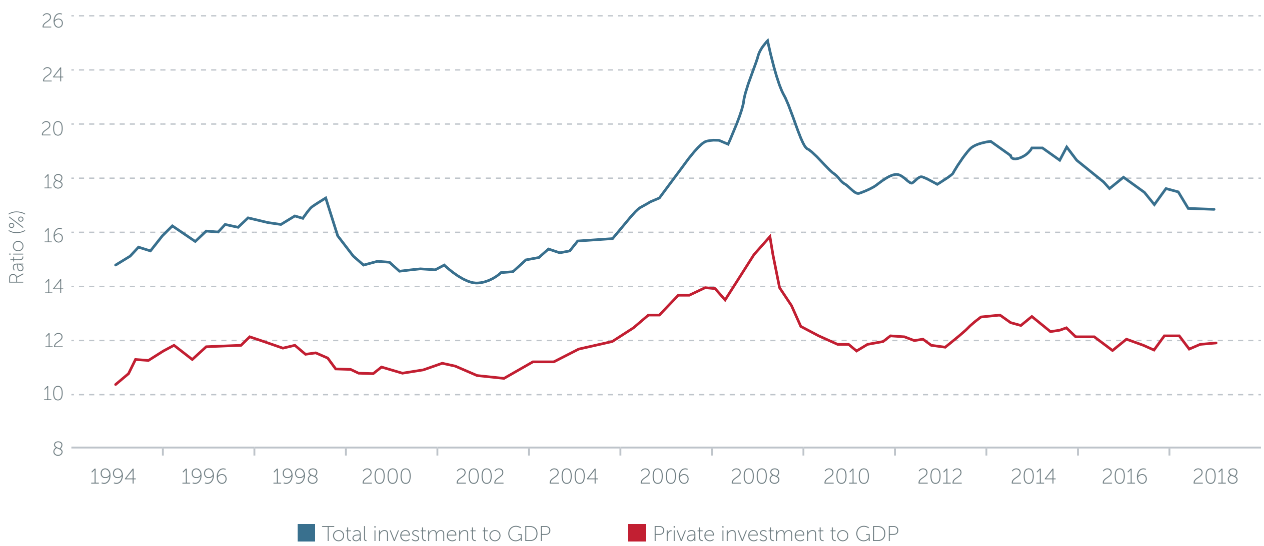
Real gross fixed capital formation (GFCF) contracted by 1.4% in 2018 following a moderate increase of 1% in 2017. Capital outlays by both general government and public corporations decreased, while those by private business enterprises increased marginally in 2018. Capital investment in South Africa was constrained by, among other factors, low business confidence, regulatory uncertainty in the mining sector, in particular, electricity-supply disruptions, subdued economic growth and concerns about fiscal sustainability. The ratio of nominal fixed capital formation to GDP declined to 18.2% in 2018 – its lowest level since 2005 and well below the 23.5% of 10 years ago in the midst of the global financial crisis.

Contributions to GFCF



Source: Stats SA, PIC Research

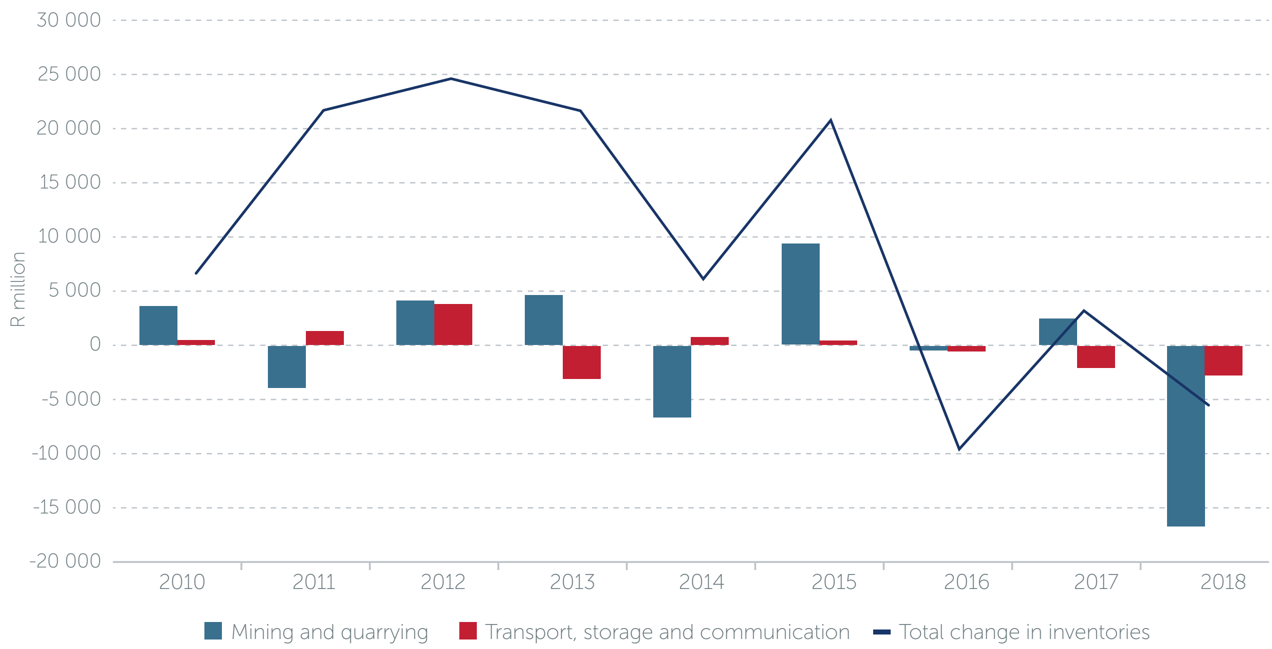
Nominal investment



Source: Stats SA, PIC Research

Following the accumulation of inventories in 2017, real inventory holdings were depleted by R5.4 billion in 2018, following lower inventory holdings in previous downward phases of the business cycle. Investment spending in 2019 will probably be driven more by low inventory levels as businesses restock than by other productive investment spending, particularly in sectors that saw a large drawdown in inventory levels in 2019.

Inventory drawdown may necessitate some investment spending



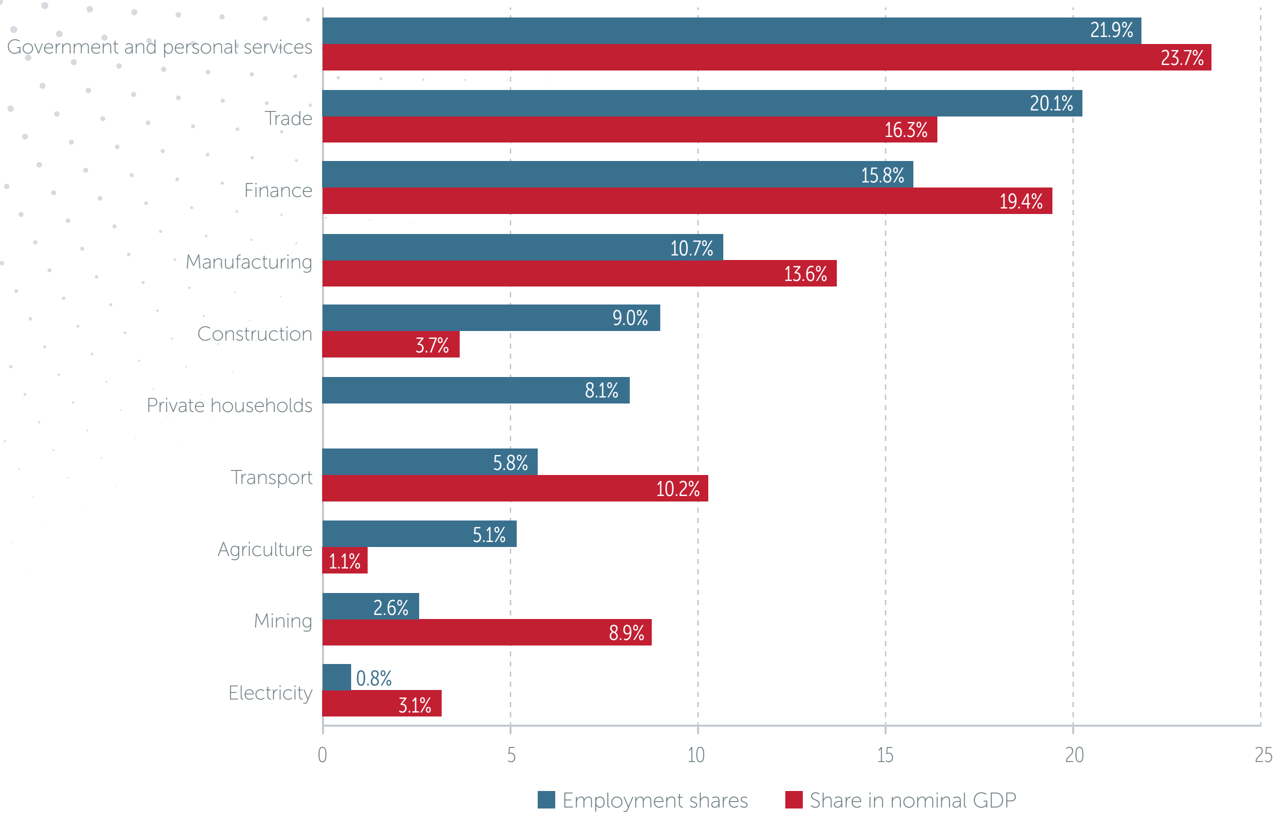
Source: Stats SA, PIC Research

South Africa recorded its third consecutive annual trade surplus in 2018 - R24.3 billion. Although still in surplus, the 2018 outcome is notably smaller than the surplus of R64.9 billion recorded the year before, reflecting mediocre performance in exports as global economic growth started curtailing while imports were faced with higher prices on a strong depreciation in the rand and higher international oil prices. The trade account seems to have started 2019 on a better footing, supported by the resilience in commodity prices and strong vehicle exports. However, with the global economic moderation becoming more broad-based, export demand is projected to take strain during 2019, while a sharp moderating in household spending will drive import growth lower in the near term. For the whole year the moderation in the trade balance as well as the slight widening in the deficit of the services, income and current transfer account, saw the current account deficit widen to 3.5% in 2018, from 2.5% in 2017. South Africa's high current account and budget deficit reflect high external financing needs.

Looking ahead, we anticipate the current account deficit to move sideways at current levels before widening slightly in the medium term as domestic demand starts to recover. Eskom's imports of diesel to meet electricity demand using its open gas turbines, the relatively higher oil price (although projected to gradually decline) and protest action are key risks to the current account balance outlook in 2019.

The economy is not growing fast enough to create jobs to absorb the large pool of unemployed people. Employment growth remained fairly lacklustre, with more informal sector jobs than formal sector jobs created in 2018. The unemployment rate came in at 27.1% in the last quarter of 2018, slightly higher than the 26.7% reported at the end of 2017 and slightly lower than the record high of 27.7% in the third quarter of 2017. Youth unemployment (those aged between 15 and 24 years) remains stubbornly high, above 50%. Labour relations have improved, but employment outcomes depend on a sustainable rise in confidence and investment.

Employment and GDP share per industry, 4Q18



Source: Stats SA, PIC Research

Overall, we expect growth to perform poorly in the short-term owing to domestic pressures, before recovering moderately in the medium term. Over the next five years, we anticipate growth to average just below 2%.

GDP growth outcomes for 1Q2019 came out worse than market consensus of -1.6% QoQ, contracting by 3.2% due to broad-based weakness in the economy. We have since revised our 2019 GDP growth forecast from 0.9% to 0.5%.

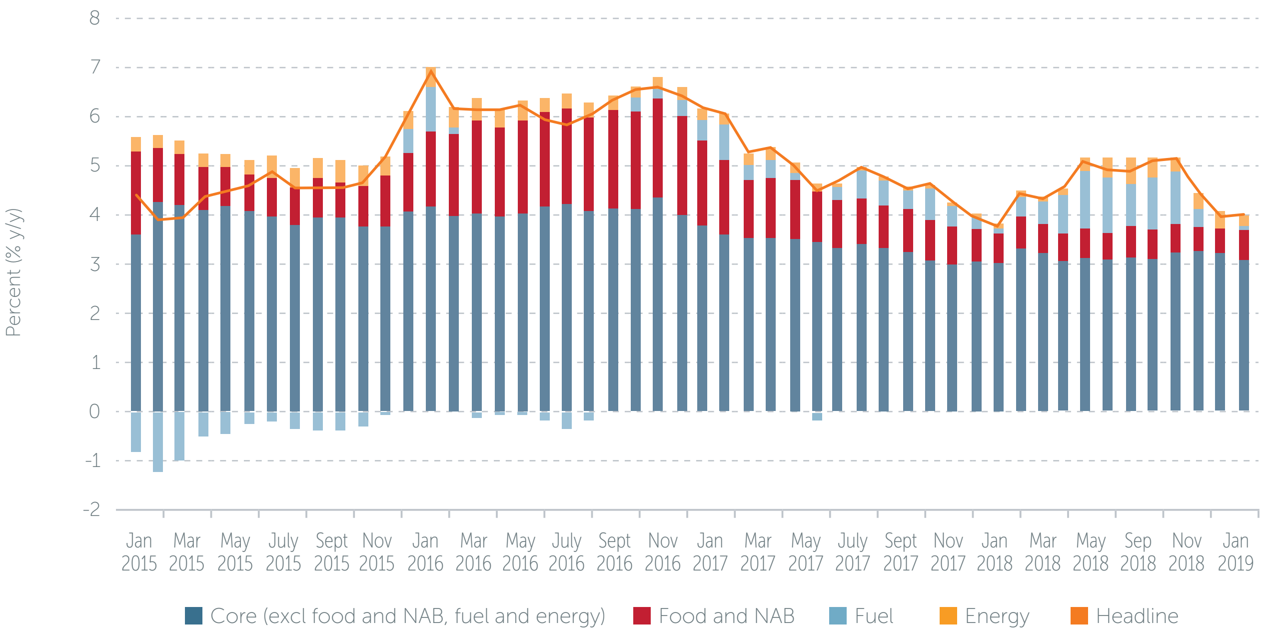
Headline consumer inflation has moderated markedly since 2016. The notable appreciation in the exchange value of the rand in 2016 aided the deceleration in annual average consumer price inflation from 6.3% in 2016 to 5.3% in 2017. Thereafter, it receded further to 4.7% in 2018 – only 0.2 percentage points above the midpoint of the inflation target range.

The inflationary pressures induced by higher fuel prices in the second half of 2018 dissipated in recent months. The notable deceleration in domestic petrol and diesel price inflation contributed to a moderation in headline consumer price inflation from maximum on 5.2% in November 2018 to a low of 4.0% in January 2019 (when considering the year under review from April 2018).

Underlying inflationary pressures receded further in 2018 in an environment of muted import price inflation and weak domestic consumer demand. Core inflation which strips out food and non-alcoholic beverages, fuel and energy remained below the midpoint of the inflation target range for 11 of the 12 months of 2018 at an annual average of 4.3% in 2018 (2017: 4.7%), with the exception of April, when the VAT rate increased by one percentage point. Core inflation remained at 4.4% for a fifth consecutive month in March 2019.

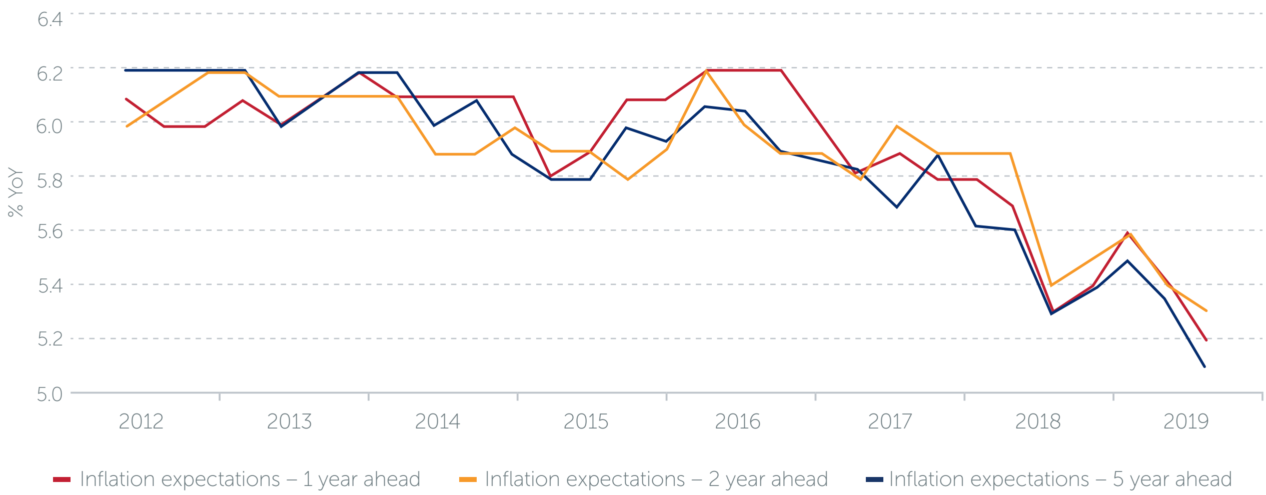
In its November meeting, the South African Reserve Bank (SARB) Monetary Policy Committee increased the repurchase (repo) rate by 25bps to 6.75%. In a close call, the statement showed that three members preferred a hike, while the remaining three preferred a hold. SARB has since recognised that there are no demand-pull factors and since the May meeting, where two of the five MPC members voted for a cut in the repo rate, we now expect the Bank to lower rates by no more than 50 basis points in 2019/20 owing to well contained inflation and poor economic growth. The SARB has communicated that over the long-term it would prefer to anchor inflation expectations around 4.5%, corresponding with the midpoint of the targeted 3% - 6% inflation band. It has also indicated that the growth dynamics are structural and require policy reforms to be addressed rather than monetary policy.

Headline inflation and selected components



Source: Stats SA

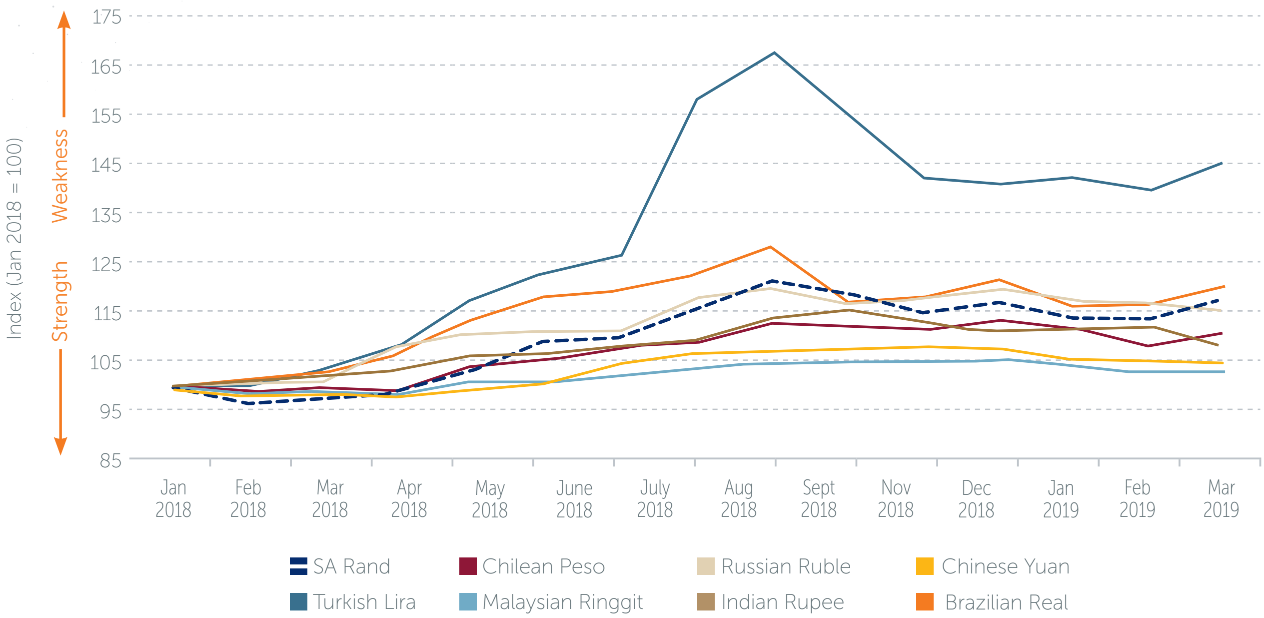
Easing inflation expectations take pressure off SARB to hike rates



Source: Stats SA, PIC Research

The rand averaged R13.25/US$ in 2018 and R14,02/US$ in the first quarter of 2019, largely in line with our expectations. Following gains made in January, the rand weakened in both February and March, led partly by local factors such as load shedding and concerns over a downgrade or outlook change by Moody's as well as global factors including the broad-based selling off of EM currencies as the Turkish lira weakened anew. Looking ahead, we can expect high-yield currencies such as the rand to strengthen compared to six months ago as the change in US monetary policy stance to lowering rates, will likely see the US dollar weaken. We have again entered a phase of easing global monetary conditions which should see capital flow into EMs. The dollar came under pressure as the Fed indicated that it would loosen monetary policy, while the ECB recently signalled accommodative policy for longer in the face of weak growth. We anticipate the US dollar to weaken over the next 18 months until the Fed changes its communication to tighten monetary policy. Over the long-term, our narrative is one of US dollar strength. We also believe that there will be a high degree of heterogeneity among EM currencies premised on macroeconomic quality differentials.

EM currencies



Source: Bloomberg, PIC Research

President Ramaphosa responded to the technical recession reported for the first half of 2018 with the Economic Recovery and Stimulus Plan announced in September 2018 that aims to 'ignite economic activity, restore investor confidence, prevent job losses and create new jobs'. The initiative includes an infrastructure fund to be developed in partnership with the private sector, reforms to enhance economic growth and improve governance, and support for urgent education and health needs. Progress on some efforts was provided in the 2019 Budget and is outlined in the table below.

Progress on Economic Recovery and Stimulus Plan

MEASURE	PROGRESS
Telecommunications spectrum	Licensing for high-demand spectrum will take place this year, with the process expected to be completed in 2020/21.
Visa amendments	Gazetted amendments to the Immigration Act (2002) will waive the requirement of an unabridged birth certificate for children travelling from certain countries. Revised requirements for business visas clarify the documentation and accreditations required. An e-visa system will be launched with New Zealand as the pilot case. It will then be rolled out to other countries. The scarce skills list will be updated by March 2019.
Mining policy	The government issued a new Mining Charter. The Minister of Mineral Resources, Gwede Mantashe, has signalled that controversial amendments to the Mineral and Petroleum Resources Development Act (2002) are no longer in keeping with the policy intent. Separate legislation is being developed for the regulation of oil and gas and consultations with various stakeholders are underway.
Administered price review	The Department of Energy invited the public to comment on the basic fuel price review until 31 March 2019. Stakeholder consultations are underway to identify ways to improve efficiency and reduce the costs of ports and rail, making the country's exports more competitive.
Procurement	The Public Procurement Bill is being finalised. It will consolidate various procurement laws into one national legislative framework. Provisions in the bill will encourage participation from black-, youth- and women-owned businesses in state procurement.
Measures to safeguard industry	The government imposed a 35.3% tariff on frozen bone-in chicken imports from Europe, as allowed by the terms of South Africa's Economic Partnership Agreement with the European Union.

Source: National Treasury

The plan emphasises several of the reforms highlighted by National Treasury in the 2018 Budget, which argued that potential growth could be boosted by more than 2 percentage points by finalising the Mining Charter. Other factors that contribute to growth include telecommunications reforms including the release of spectrum, reforms to lower barriers to entry and anti-competitive practices and support for labour-intensive sectors such as agriculture and tourism. The stimulus plan was echoed in the State of the Nation (SONA) address during February 2019, with urgent tasks identified to support growth prospects.

Most urgent tasks identified in SONA 2019

TASK	DETAIL
Inclusive growth and job creation	President Ramaphosa cited the technical recession and how the government responded with an 'Economic Stimulus and Recovery Plan', stating that significant progress has been made. This is especially in areas of restoring policy certainty on mining regulation and the visa regime, mobile spectrum allocation and reviewing port, rail and electricity prices. Areas of focus for job creation will continue to be in labour-intensive sectors including agriculture, tourism and the oceans economy. Many of these areas were outlined as early as Budget 2018 as necessary to boost potential growth over the next decade. The Investment Conference was lauded as a success in the speech, with R300 billion in investment pledges. A similar conference is planned for 2019.
Education and skills	The government has committed to contributing R100 billion to the Infrastructure Fund over 10 years and to use this to leverage financing from the private sector and development finance institutions. The first beneficiaries of this fund will be projects underway already, such as expanding student accommodation. Ramaphosa announced that the Early Childhood Development Programme (ECD) will move from the Department of Social Development to the Department of Basic Education, with ECD becoming compulsory over the next two years for all pre-Grade 1 children. Government has also promised that over the next six years, every schoolchild will be provided with digital workbooks and textbooks on a tablet device.
Living conditions, especially for the poor	The government will establish a human settlements development bank that will leverage both public and private sector financing to aid inhouse delivery. The People's Housing Programme will also be expanded, through which households are allocated serviced stands to build their own houses, either individually or through community-led housing cooperatives. In the speech, focus was also placed on the revamping of industrial parks in townships and rural areas.
Corruption and 'state capture'	Ramaphosa announced a new National Director of Public Prosecutions (NDPP), Advocate Shamila Batohi, to lead the revival of the National Prosecuting Authority and to strengthen the fight against crime and corruption. Although Terms of Reference still need to be laid out, the NDPP will focus on evidence from the Zondo Commission of Inquiry into State Capture. Other commissions and disciplinary inquiries will identify priority cases to investigate and prosecute and will recover assets identified to be the proceeds of corruption. The government will also process the operationalisation of Section 8 of the Public Administration and Management Act, which strengthens the outlawing of public servants doing business with the state and enables the government to deal more effectively with corrupt activities.
Strengthen the capacity of the state	Ramaphosa cited progress made in examining the size and structure of the state, which will be completed by the end of this administration. The speech outlined progress in restoring the integrity and capacity of strategic SOEs, with new boards appointed at Eskom, Denel, Transnet, South African Forestry Company Limited, the Passenger Rail Agency of South Africa and SA Express. Hinting toward privatisation, Ramaphosa stated that where SOEs are not able to raise sufficient financing from banks, capital markets, development finance institutions or the fiscus, other mechanisms will be explored, such as strategic equity partnerships or selling off non-strategic assets.
Other	Other pertinent topics were not discussed, including SARB nationalisation and prescribed assets. On land expropriation, little was said other than the land expert panel will report back by the end of March and that, in addition to these recommendations, the government has identified state-owned land parcels for redistribution. In addition, policy and legislative interventions will ensure that more land is made available for agriculture, industrial development and human settlements.

Source: SONA 2019, PIC Research

Perhaps the predominant announcement from SONA was confirmation that Eskom, which has a substantial debt burden, will be restructured into three separate entities, namely generation, transmission and distribution, all of which will still fall under the company Eskom Holdings. Some details were provided in the 2019 Budget.

The immediate focus is debt sustainability, with the government having set aside a provisional allocation of R23 billion a year in the medium-term fiscal framework. Beyond the medium term, the size of support will depend on factors such as economic growth, tariffs and the implementation of Eskom's turnaround strategy. The strategy includes plans to:

- Appoint a chief reorganisation officer;
- Renegotiate coal supply contracts, invest in cost plus mines and reduce the cost of logistics;
- Refine capital efficiency by reprioritising capex;
- Drive operational and cost efficiency in procurement;
- Grow revenue with pricing incentives and the pursuit of international sales; and
- Improve workforce efficiency by optimising personnel costs.

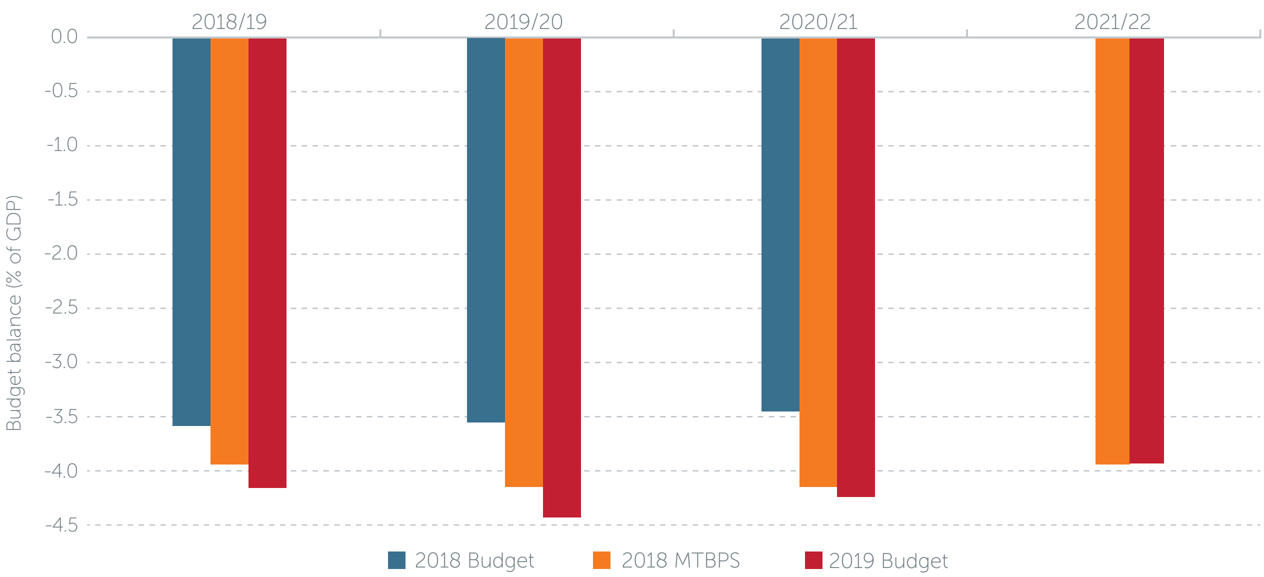
Eskom has committed to accelerating cost compression to more than R20 billion per year by 2022. These savings exclude reductions to Eskom's salary bill. Government has already begun consulting labour on these matters. Treasury has stated that further steps in restructuring the electricity market will be announced in the months ahead and these will be watched closely as a key litmus test of the success of the announced structural reforms urgently needed.

The 2019 Budget Review presented worsening fiscal matrices than at the time of the Medium-term Budget Policy (MTBPS) in October on the back of weaker growth outlook together with the financially distressed SOEs. The budget deficit is estimated to widen from 4.2% in 2018/19 (MTBPS: 4%) to 4.5% in 2019/20 (MTBPS: 4.2%), before narrowing slightly to 4% in the outer year. Gross debt-to-GDP reaches 60.2% of GDP in 2023/24, marginally above the MTBPS estimate of 59.6%, before tapering down to 59.3% in 2026/27. Government's gross borrowing requirement is expected to increase from 4.7% of GDP in 2018/19 (MTBPS: 4.6%) to 5.3% of GDP in 2021/22 (MTBPS: 5.2%). It will be financed primarily by domestic capital markets. The main expenditure risk to the fiscus stems from state-owned companies, as several major companies are in financial distress. If reforms to restore their financial sustainability are unsuccessful, risks from associated contingent liabilities, alongside requests for fiscal support, may materialise.

The 2019 Budget saw large reductions in baseline spending, including compensation of employees via voluntary retrenchment packages and reduced allocations on slow and underspending projects. Even with these reductions, the expenditure ceiling will be raised by R16 billion over the medium term, mainly to finance the reconfiguration of Eskom.

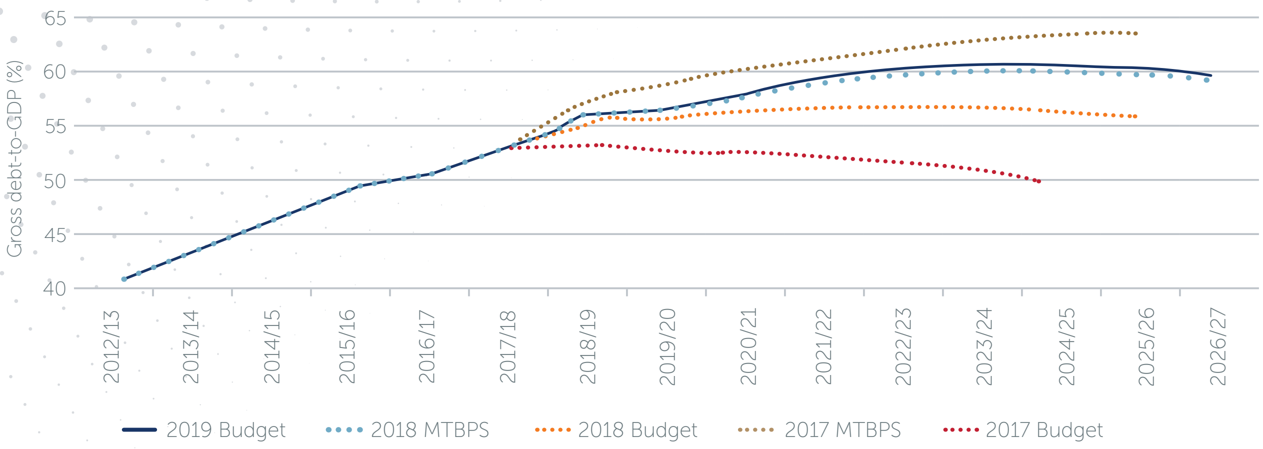
Going into the 2019 MTBPS, we can anticipate fiscal slippage owing to poor economic growth which is set to weigh on revenue collections. This is before factoring in the support needed by Eskom. Budget deficits and debt ratios are likely to be worse than projected at the 2019 February Budget.

Budget deficits – MTBPS vs Budget Review



Source: National Treasury

Budget deficits – MTBPS vs Budget Review



Source: National Treasury

During 2018, ratings agencies S&P Global, Fitch and Moody's left South Africa's sovereign credit ratings unchanged, in two of the three cases at sub-investment grade. Following the weaker growth and fiscal position present in the 2019 Budget, there were concerns about a possible credit ratings downgrade by Moody's. In March 2019, Moody's decided not to publish an update on South Africa's credit rating, thus maintaining its current investment grade rating of Baa3 with a stable outlook. Moody's has since communicated that although the growth and fiscal position is weaker; the rating is still in line with its Baa3 peer group. Risks to the ratings outlook include worsening growth and fiscal dynamics.

Given the faltering economic growth and higher probability of further fiscal deterioration, at best Moody's can change the outlook from stable to negative.

S&P Global affirmed its long-term foreign and local currency sovereign credit ratings for South Africa at BB and BB+ respectively, in November 2018. The outlook for the ratings was kept stable. S&P said that the ratings remain constrained by weak economic growth, especially on a per capita basis as well as its large fiscal debt burden and sizeable contingent liabilities. However, S&P noted that, "the new government is pursuing a series of economic reforms that should help boost the economy from 2019".

The recent investment and jobs summits along with the economic stimulus plan were called 'moves in the right direction'. In January this year, S&P reiterated that the implementation of reforms, including the fiscally neutral growth package announced in September 2018, will boost investor confidence, investment and growth.

Fitch Ratings (Fitch) affirmed South Africa's long-term foreign and local currency debt at BB+ with a stable outlook in December but indicated that the country's ratings are weighed down by low growth potential, sizeable government debt and contingent liabilities, and the risk of rising social tensions due to extremely high inequality. The ratings are supported by strong institutions, a favourable government debt structure, deep local capital markets and a healthy banking sector. While Fitch acknowledged that progress had been made in terms of President Ramaphosa's stimulus package, the revised Mining Charter and the reprioritisation of spending, it warned that 'these measures will take time to implement and are not sufficiently far-reaching to raise medium-term potential growth significantly'. Against a backdrop of weak economic growth and an expected deterioration in fiscal policy, Fitch changed the outlook of SA's sovereign debt from stable to negative in July 2019. We anticipate Moody's to also change the outlook similarly at the November 2019 ratings announcement.

South Africa's long-term sovereign credit rating

SA's LONG-TERM SOVEREIGN CREDIT RATING						
MOODY'S		S&P		FITCH		RATING DESCRIPTION
Foreign rating	Domestic rating	Foreign rating	Domestic rating	Foreign rating	Domestic rating	
Aaa	Aaa	AAA	AAA	AAA	AAA	Prime
Aa1	Aa1	AA+	AA+	AA+	AA+	
Aa2	Aa2	AA	AA	AA	AA	High grade
Aa3	Aa3	AA-	AA-	AA-	AA-	
A1	A1	A+	A+	A+	A+	Upper medium grade
A2	A2	A	A	A	A	
A3	A3	A-	A-	A-	A-	
Baa1	Baa1	BBB+	BBB+	BBB+	BBB+	Lower medium grade
Baa2	Baa2	BBB	BBB	BBB	BBB	
Baa3 (Stable)	Baa3 (Stable)	BBB-	BBB-	BBB-	BBB-	
Ba1	Ba1	BB+	BB+ (Stable)	BB+ (Stable)	BB+ (Stable)	Non-investment grade
Ba2	Ba2	BB (Stable)	BB	BB	BB	Speculative
Ba3	Ba3	BB-	BB-	BB-	BB-	Highly speculative
B1	B1	B+	B+	B+	B+	
B2	B2	B	B	B	B	
B3	B3	B-	B-	B-	B-	
Caa1	Caa1	CCC+	CCC+			Substantial risks
Caa2	Caa2	CCC	CCC			Extremely speculative
Caa3	Caa3	CCC-	CCC-	CCC	CCC	Default imminent with little prospect of recovery
		CC	CC			
Ca	Ca	C	C			
C	C			DDD	DDD	
		D	D	DD	DD	In default
				D	D	

Source: Moody's Fitch, S&P

Synopsis

After experiencing a technical recession in the first half of 2018, the South African economy experienced some reprieve towards the end of the year. However, severe load shedding and weaker consumer and delayed investment plans are expected to weigh on the growth outlook in 2019. Over the next five years, we anticipate growth to average just below 2%. The increasingly broad-based moderation in global growth remains above trend and should provide some support to external demand until domestic demand recovers. Sentiment remains low and provides little impetus to consumption and investment spending in the short-term.

The fiscal backdrop has weakened further, raising concerns around debt sustainability over the medium to long-term. Inflation remains well contained within the 3% to 6% target. Monetary policy communication has improved and remains accommodative in a weak economic environment. South Africa's market-friendly macroeconomic policies and independent institutions are vital to maintain a stable platform for investment and provide a buffer against global volatility. Deep and liquid financial markets also support both public- and private-sector borrowing. However, these criteria are necessary but insufficient, in and of themselves, to drive sustainably higher growth.

These fundamentals, in combination with the timely implementation of structural reforms, are urgently needed to address potential growth in the long-term. Growth in the economy is important to the PIC, as there is evidence to suggest that there is a direct link between the performance of the economy and that of the PIC's portfolio.

LISTED INVESTMENTS PORTFOLIO

The Listed Investments portfolio supports the PIC's vision 'To be the leader in developmental investing for sustainable financial prosperity of our stakeholders'. Listed investments contribute to inclusive growth by, among others:

- Aligning with the objectives of the National Development Plan, with specific focus on infrastructure projects undertaken by other state-owned companies;
- Driving transformation through the adoption of broad-based black economic empowerment principles in our business and implementation of the External Manager Programme, which aims to grow sustainable black-owned asset management businesses; and
- Integration of environmental, social and governance principles across investment processes, including direct engagement and active proxy voting.

Divisional Highlights for the 2018/19 Financial Year

- Delivered superior returns for our clients;
- Continued investments in companies listed on the JSE that support the South African economy;
- Continued support for black stockbroking businesses through internal trading processes and by mandating external managers;
- Enhancement of quality research portal on the Top 60 Companies listed on the JSE; and
- Continued investments on the African continent in sectors that will have a socio-economic impact.

Key Achievements

Notable transactions concluded during the 2018/19 financial year:

- R215 million invested in Libstar Holdings Limited to support manufacturing in the food sector; and
- US$21 million invested in Ugandan pharmaceutical manufacturer CiplaQCIL, as part of the rest of Africa strategy. This will assist to eradicate core illnesses on the African continent, namely HIV, malaria and hepatitis.

Divisional Performance against the PIC Corporate Plan

The Listed Equities division set out to achieve the following key strategic objectives:

- To deliver returns in excess of our client benchmarks, while complying with clients' risk parameters. This goal was achieved for the 2018/19 financial year;
- Growing the economy through listed investments in Africa (non-domestic);
- To facilitate broad-based black economic empowerment (B-BBEE) and skills development through our investment activities. The PIC achieved this objective by allocating a minimum of 55% of total brokerage paid to brokers certified at least on levels 1 - 4 black economic empowerment (BEE) rating, based on the new B-BBEE codes; those who are 51% owned by Historically Disadvantaged Individuals (HDIs) and those who are 30% management controlled by HDIs; and
- To generate quality investment research that supports our investment decisions. This was achieved by the coverage of the Top 60 Companies on the research portal.

Portfolio Performance

The overall Listed Investments portfolio outperformed the composite index over the three-year period to 31 March 2019 and outperformed the benchmark by 2.62% on a cumulative basis. There was also a significant improvement on a risk-adjusted basis, due to portfolio positioning in key sectors. Moreover, the internal Listed Property portfolio outperformed the benchmark over this period by 2.57% on a cumulative basis.

This performance was achieved notwithstanding uncertainty in the global macro- and political landscape (ongoing trade war between the USA and China), and the possibility of a downgrade to our investment rating, which posed challenges in making investment decisions. During the same period, emerging markets and South Africa returned -7.1% and -17.5% in dollar terms over the 12 months to 31 March 2019.

The weak GDP print reduced the ratings of listed companies with a large exposure to the South African economy. This placed pressure on the share prices of local retailers, banks and industrial companies, despite trading at discounts to their intrinsic values. On the other hand, companies with a large exposure to the global economy, such as resource companies and Naspers, delivered strong returns. Our goal remains to deliver sustainable equity returns for our clients over the medium- to long-term. The PIC recognises that events beyond its control occur periodically and, if these fundamentally change the outlook for its investments, it intervenes. Its approach to unexpected 'negative events' is to look for opportunities to buy more of certain stocks/sectors if prices grow cheaper.

Contribution to B-BBEE, Transformation and Job Creation

The PIC shares the general concerns about the slow pace of transformation in the financial services sector and, therefore, stipulates that at least 55% of the equities brokerage allocation be channelled to brokers whose BEE credentials are in line with the PIC's requirements.

Over the last four financial years, we have increased the percentage of brokerage spend to BEE brokers from 40.9% in the 2014/15 financial year to 75.5% during 2018/19, with the intention to improve this over the medium term.

Our investments in special purpose acquisition companies and other BEE transactions on the JSE continue to transform the economic landscape of South Africa.

By participating in rights issues and initial public offerings (IPOs), the PIC supported the expansion of businesses and contributed to job creation across different sectors of the economy. The Corporation participates in numerous special purpose acquisition company (SPAC) listings. These SPACs have specific focus on community and business development initiatives that will facilitate employment. By increasing the brokerage paid to BEE brokers, the PIC contributes to the creation of stronger BEE brokers, creating more jobs in equity trading and research.

Outlook

Increased volatility is forecast, marked by Brexit uncertainty, slowing global economy and non-resolution of trade war talks. The World Bank forecasts slower growth in developed economies, especially the Euro area where growth is forecast to hover around 1.4% from 2020 to 2021, due to weaker exports and investment. Growth in the US is forecast to slow to 1.7% in 2020 and 1.6% in 2021 from 2.5% in 2019, as the effects of recent fiscal stimulus wane. Growth in emerging economies is projected to fall to a four-year low of 4% in 2019 as economies battle soft global trade growth, financial stress and political uncertainty. This will be a headwind to emerging markets performance. In addition, the lack of economic growth in South Africa, which could result in ratings downgrades, will also weigh in on market performance.

Over the next 12 months, we expect the ALSI to return 8.4%, driven by earnings growth of 14.6%, dividend yield of 3.8% and price-to-earnings ratio (P/E) derating of 10%.
The South African macro-economic environment remains subdued, with economic growth numbers being revised down by various agencies. Locally exposed listed property counters are, thus, negatively affected as companies struggle to negotiate higher rentals and escalations. Supported by better economic growth prospects, global counters will fare much better. The JSE is trading at a 4% premium to its 10-year average P/E ratio, and therefore, stock selection will be key to excess returns.

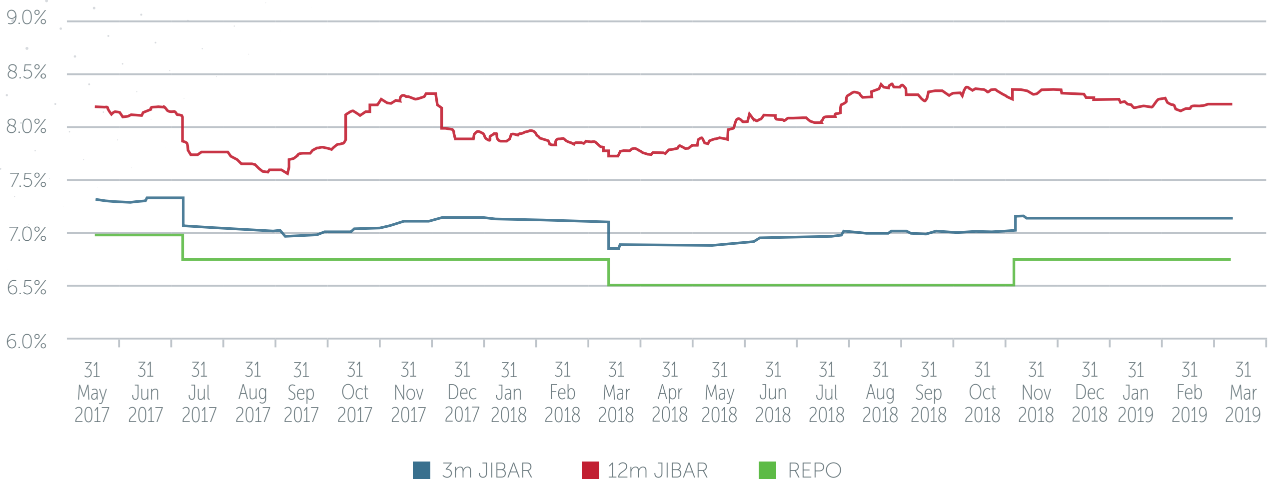
Focus will continue on adding value and outperforming the clients' investment return objectives and benchmarks. The Listed Equity Research team aims to enhance the coverage of Top 60 Companies, with selective investments into the rest of Africa. We will also continue to build our capability to invest in global equity markets.

Fixed Income

Money Market

Despite a neutral monetary policy stance from April to November 2018, the 12 months Jibar had been on an upward trajectory since the beginning of April 2018. At the same time, the three-months rate remained fairly flat until Q4 2018, when inflation expectations changed and the South African Reserve Bank (SARB) Monetary Policy Committee (MPC) raised the repo rate on 16 November 2018 by 25 basis points to 6.75%. The hike was deemed necessary as a counter-balance and to convince investors and rating agencies that SARB is serious in reining in inflation expectations.

Money Market Rates



From November 2018, the MPC kept the repo rate steady at 6.75%, its stance reflecting changes in both the domestic and global monetary policy outlook. On the global monetary policy front, central banks in major industrialised economies had assumed more dovish stances as the global slowdown seemed to be deeper than initially expected. Domestically, downside risks to growth remained elevated, while demand inflation was expected to remain subdued.

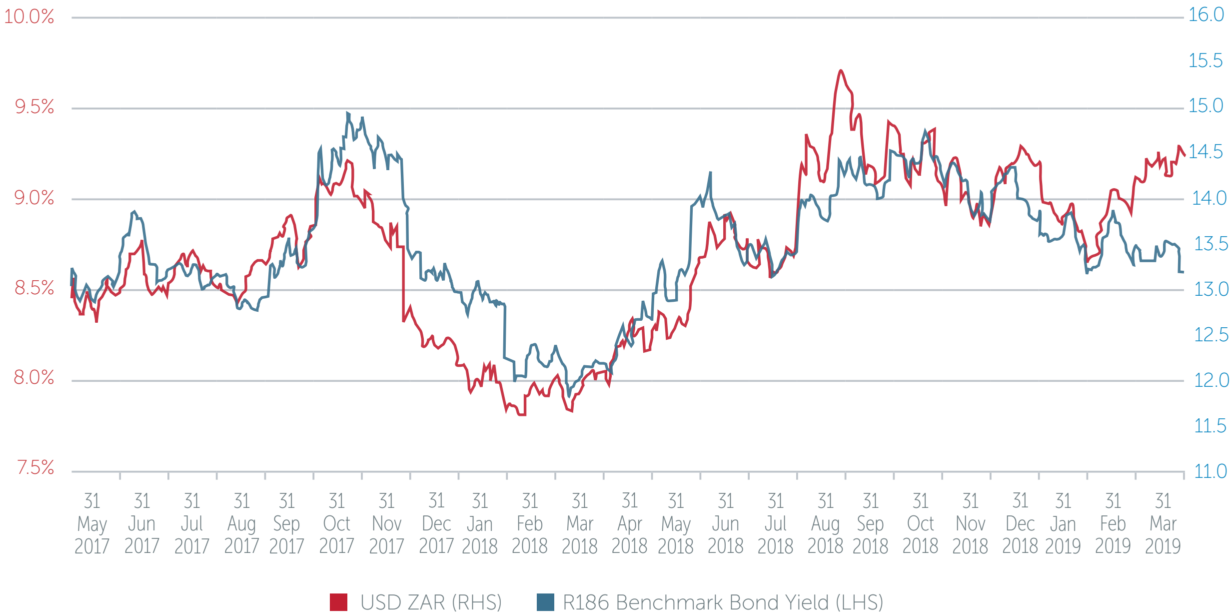
Bond Market

The bull market honeymoon experienced in 2017 came to an abrupt end in March 2018 and there was a dramatic turnaround in sentiment, sending local bond yields higher. The bond market became very volatile and was driven largely by foreigners who were active sellers of South African bonds. Bond yields, therefore, moved higher on foreign selling, with a more bearish outlook following the Medium-Term Policy Budget Statement (MTPBS).

Developed markets monetary normalisation and trade war rhetoric were key risks to South African bond yields during the period under review. Locally, political developments continued to pose upside risks to domestic bond yields ahead of the May 2019 general elections. As sentiment changed, the year 2018 was vastly different, with record net foreign sales being recorded. Foreigners sold R65 billion in domestic bonds in 2018 versus a net buying of R53 billion in 2017. Dovish tones from central banks nudged investors towards flight to quality. Yields on several benchmark bonds fell sharply, with US 10-year treasuries slipping to their lowest levels since 2018. South African bond yields remained resilient as a more dovish Federal Reserve System (Fed) spurred the hunt for yield and thus limited the chances of any sell-off in the South African bond market.

The South African 2019/20 budget tabled in February 2019 was marginally negative for the bond market, given that the credit rating risks had increased, while local bond issuance was higher than forecast in the MTBPS. The 2019/20 Budget Review stated that the borrowing requirement would be increased and thus financed primarily by borrowing in domestic capital markets. Accordingly, National Treasury announced on 26 March 2019 that the weekly auction levels for both the fixed-rate and inflation-linked bond auctions would be increased.

R186 bond yield and USDZAR



Performance and Brokerage

Money market posted a positive total return of 7.26% for the year ending 31 March 2019, outstripping conventional and inflation-linked bonds, which returned 3.46% and -3.17% respectively.

Money market and conventional bond portfolios outperformed their respective benchmarks on 24- and 36-month rolling bases. However, there was slight underperformance on inflation-linked bond portfolios during a period where real yields headed north, testing record highs and remaining at elevated levels that averaged 3.30% at 31 March 2019.

In terms of brokerage allocation, the PIC Fixed Income team continued to support black economic empowerment (BEE) brokers. Brokerage of 99.3% was channelled to counterparties with level 3 or better BEE rating during 2018/19. BEE firms with 50%+ black ownership were paid 53% of the brokerage fee.

Asset Class Returns

ASSET CLASS	BENCHMARK	YEAR-ON-YEAR
Money Market	STeFI	7.26%
Conventional Bonds	ALBI	3.46%
Inflation-Linked Bonds	CILI	-3.17%

Source: IRESS

EXTERNALLY MANAGED FUNDS – THE B-BBEE DEVELOPMENTAL MANAGER PROGRAMME

The PIC initiated the Broad-Based Black Economic Empowerment (B-BBEE) Developmental Manager Programme in 2009 to increase participation of black asset managers and the number of black investment professionals (particularly women) in the asset management industry. It increased allocations of funds to black asset managers and holds the traditional, large and established firms accountable to transformation targets in their businesses.

By the end of the 2018/19 financial year, externalised assets managed by domestic managers had increased to R179.5 billion through market movement and additional flows. At 31 March 2019, R107.3 billion (i.e. 60%) of externalised assets managed by domestic firms was managed by black-owned firms. This is a huge achievement, given that at inception, R64 billion was allocated across 18 mandates in the domestic listed equity and listed property asset classes. At the time, seven of these mandates were managed by black firms and more than 80% of the assets were allocated to established, non-black economic empowerment (BEE) firms.

At 31 March 2019, the Government Employees Pension Fund and Unemployment Insurance Fund composites of external asset managers included 18 BEE asset managers. These managers were appointed between April 2009 and June 2017 and manage domestic equity, domestic fixed income, domestic listed property and Africa equity assets. Of the 18 black-owned firms the PIC is currently invested with, 16 of them started in the BEE Developmental Manager Programme.

The BEE Developmental Manager Programme's success is evident in the contribution these managers have made to the performance of our client portfolios, and in their ability to run growing, sustainable businesses that have managed to gather additional assets. At inception on average (including 2017 appointments into the programme), 49% of these managers' assets were allocated by the PIC. By March 2019, this number had decreased to 34%, as these managers acquired new clients and assets.

The programme plays an integral role in providing managers with the opportunity to build a track record, which in turn attracts further asset allocation by asset consultants and multi-managers. Nine of the managers listed in the table on the next page have graduated from the programme into our established composite. They have demonstrated the necessary skills in the investment process and proved that to achieve transformation objectives and alpha-generation objectives are not mutually exclusive.

During the 2018/19 financial year, an additional R8.25 billion was approved and allocated to established black-owned firms. The fixed income managers, appointed on 1 June 2017, continue to deliver positive alpha to client portfolios. The Externally Managed Funds team continues to manage and monitor the global fixed income, and global equity managers and client solutions to ensure optimal allocation across strategies and alignment to client risk-and-return objectives.

*At 31 March 2019, **R107.3 billion** (i.e. 60%) of externalised assets managed by domestic firms was managed by black-owned firms.*

BEE asset manager appointed: April 2014

BEE EXTERNAL ASSET MANAGERS	PORTFOLIO INCEPTION DATE	TOTAL AUM AT INCEPTION (RBN)	PIC ALLOCATION AS A % OF AUM AT INCEPTION	TOTAL AUM (INCLUDING PIC) AT 31 MARCH 2019 (RBN)	PIC ALLOCATION AS A % OF AUM 31 MARCH 2019
Manager 1	Apr-09	4.90	24.49%	9.45	37.80%
Manager 2	Apr-09	0.30	66.67%	3.82	30.61%
Manager 3	Aug-09	2.20	59.09%	16.02	33.87%
Manager 4	Aug-09	4.60	28.26%	9.20	29.07%
Manager 5	Apr-10	0.60	83.33%	6.34	57.85%
Manager 6	Apr-10	0.60	83.33%	8.37	50.73%
Manager 7	Apr-11	1.60	62.50%	1.93	21.44%
Manager 8	Apr-13	13.90	17.99%	9.11	30.67%
Manager 9	Apr-13	0.70	71.43%	3.66	30.05%
Manager 10	Apr-14	0.50	100.00%	1.47	40.83%
Manager 11	Apr-14	1.30	38.46%	0.61	10.57%
Manager 12	Jun-17	1.73	46.24%	0.85	17.63%
Manager 13	Jun-17	3.91	20.46%	0.87	17.23%
Manager 14	Jun-17	1.89	42.33%	0.87	32.71%
Manager 15	Jun-17	2.52	39.68%	1.18	22.06%
Manager 16	Jun-17	7.50	6.67%	0.47	5.77%
			Average: 49.43%		Average: 33.95%

For confidentiality, the names of the external asset managers are not disclosed.

By the end of the 2018/19 financial year, externalised assets managed by domestic managers had increased to ***R179.5 billion*** *through market movement and additional flows.*

Environmental, Social and Governance - Listed Portfolio

The PIC is committed to deliver positive, sustainable returns to its clients through the integration of Environmental, Social and Governance (ESG) considerations as the fundamental principles of its investment processes. It has maintained its sustainability memberships of the United Nations Principles for Responsible Investment (UNPRI) and the United Nations Global Compact (UNGC), and the endorsement of the Code for Responsible Investment in South Africa (CRISA). The Corporation remains an active owner of all investee companies and has embedded ESG factors in all investment decisions.

Furthermore, it believes that a strong commitment to the highest standards of business ethics and sound corporate governance is essential for creating long-term value for clients.

PIC ESG investment practices are guided by the following:

- ESG Policy for Listed Equities;
- ESG Policy for Fixed Income;
- ESG Policy for Public Entities/State-owned Enterprise (SOEs); and
- ESG Policy for Unlisted Investments.

These policies are supplemented by bespoke ESG metrics that inform analysis and decision-making and are specific to each of the following sectors:

- Financials;
- Industrials;
- Property;
- Retailers;
- Resources; and
- SOEs.

The PIC's responsible investing activities, which have been integrated with its investment process, include:

- ***Conducting ESG quality reviews:***
  The ESG team delves into the core of an investee company's controls, its sustainability strategy, its social responsibility intent and, ultimately, its commitment to all stakeholders. Reviews are based on publicly available information, which includes the investee company's annual financial statements, sustainability reports and information displayed on its website. Reliance is placed on the audit and risk reports. The assessment includes thorough interrogation of the investee company's business model, its practices and risks, the regulatory environment and compliance. Best practice dictates investee companies' disclosure on ESG issues and their timeous reporting on activities and progress in implementing responsible practices. This informs the ESG rating, calculated using the PIC's ESG rating metrics, to measure investee companies' ESG compliance and identify areas for engagement.

- ***Exercising voting rights (proxy voting):***
  The PIC makes its listed equities proxy-voting reports publicly available on its website, in adherence to best practice. Proxy voting reports are updated quarterly. Should the PIC not support a particular resolution and vote against it, and the motion carries with other shareholders voting differently, the matter against which the PIC votes then becomes an engagement item with the investee company.

- ***Liaison with investee companies:***
  The ESG team participates in various meetings with the management teams of investee companies to address concerns.

ESG POLICY FOR PUBLIC ENTITIES/ SOEs

SOEs are central to economic growth, job creation, building capability and technical capacity of the state. The role of SOEs and Development Finance Institutions (DFIs) is crucial to advance the National Development Plan (NDP) goals. The PIC is currently one of the largest holders of domestic bonds issued under issuers' Domestic Medium-term Note (DMTN) Programme and listed on the Johannesburg Stock Exchange (JSE).

The ESG Policy for Public Entities/SOEs (supplemented by bespoke SOE ESG metrics), outlines the ESG principles and practices expected of potential investee public entities. The PIC applies these principles and the investment performance of SOEs in its decision-making processes when it participates in SOE's funding programmes. Contrary to listed equities, SOE financial instruments afford investors limited active ownership, engagement and investor collaboration opportunities. However, this does not relieve the PIC of its duty to address ESG matters in these entities.

SOE ESG metrics are used to screen ESG practices of SOEs across all three ESG categories, which, in turn, comprise 15 subcategories and indicators. They highlight the interaction of disclosure, compliance and performance, with the emphasis on performance. An ESG assessment is conducted annually or whenever required. The PIC will not immediately disinvest from SOEs due to poor ESG scores, but the scores will inform its engagement with the entities.

The metric results inform an SOE's ESG score prior to investment and post-investment engagements. The PIC may request an SOE to comply with certain requirements. ESG ratings are conducted using publicly available information such as annual reports, sustainability reports and websites.

The PIC views governance as a crucial component in ESG/responsible investing. Good governance ensures that the required environmental and social standards of the entity are met. The PIC expects that SOE boards have strong independent non-executive directors, and display an appropriate balance of power and authority, with board members preferably electing the chairperson. Board members are expected to discharge their fiduciary duties to the SOE, to act independently with unfettered discretion, to exercise independent judgment and not to succumb to political interference (with clear distinction on the roles of the executive authority, the board and executive management). The PIC expects at least a 75% attendance record by each director at all meetings.

The Corporation remains committed to entrenching sound responsible investments in corporate and investee companies and continues to expand and strengthen its team to conduct detailed research and ESG reporting of investee companies.

ESG AT THE CORE OF STOCK SELECTION

The PIC, as a long-term investor, considers both financial and non-financial factors in the company analysis to better understand the risk profile of a company and the possible impact on investment returns. The integration and analysis of ESG factors are important and with an internally developed risk-based ESG tool, the PIC identifies risks and opportunities that may affect investee companies. These issues become engagement matters with investee companies.

INFLUENCING THE REGULATORY LANDSCAPE

The PIC has been an advocate of Mandatory Audit Firm Rotation (MAFR) since 2016. Voting records dating back to May 2016 indicate the PIC's long-held concern about the risks that long-term auditor-client relationships pose to the auditor's mindset. The PIC supports the MAFR ten-year interval to uphold the principle of independence.

SUSTAINABLE DEVELOPMENT GOALS AND ESG FACTORS

The UNPRI advocates that long-term investors invest responsibly and integrate ESG principles in investment processes. Investee companies are, in turn, required to consider ESG factors in business operations. The PIC has long been involved in exercising its social responsibility, thus the integration of ESG in its investment decision-making processes has helped to entrench a firm alignment to the global Sustainable Development Goals (SDG) 2030 for the way it invests in companies.

ESG engagements provide the PIC with an opportunity to monitor this alignment with SDGs in the business. The Corporation believes that the SDGs provide a practical framework for the institution's engagements.

ENGAGEMENT THEMES

The PIC, as an active investor, regularly engages investee companies to develop an integrated view of their affairs, both financial and non-financial.

The PIC has chosen an activist engagement model. Whilst such interactions with investee companies are continuous, the materiality of an issue/s guides the frequency of engagement/s. Engagements can be face-to-face meetings with companies, written communications or telephone calls.

Investee companies continue to respond positively to the call for greater transparency and accountability. This is evidenced by the growing number of companies responding to the PIC wanting to engage on myriad issues to promote better corporate governance.

ENGAGEMENTS WITH PARTNER COMPANIES

During the reporting period, the principles for engagement and for building partnerships were given effect through:

- Site visits to periodically review investee companies' ESG practices to ensure that they comply with regulations and are aligned with best practice principles. These visits tend to be targeted towards high- and medium-rated risk investments;
- Numerous post-investment monitoring meetings with investee companies during the year; and
- Collaboration with other South African-based asset managers on the Steinhoff International Holdings corporate governance failure.

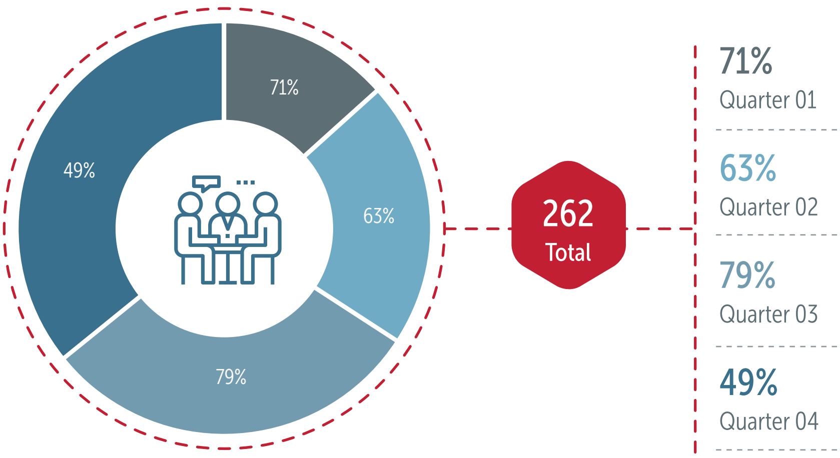
RECURRING ENGAGEMENTS THEMES

The recurring themes across the dominant economic sectors in which the PIC engaged at company level during the period under review were:

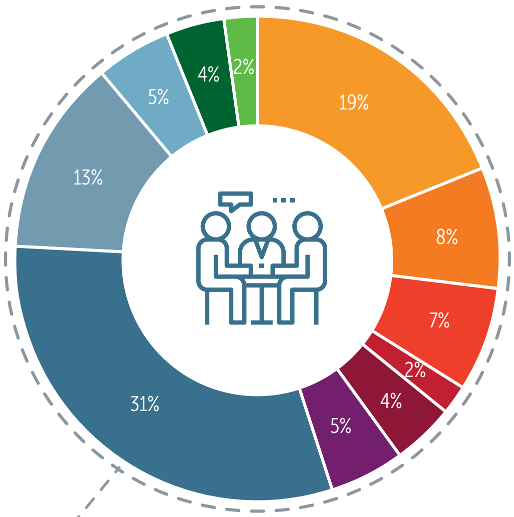
		FINANCIALS	INDUSTRIALS	PROPERTIES	RESOURCES	RETAILERS
1.	Board composition and succession planning	✓		✓		✓
2.	Transformation	✓	✓	✓	✓	✓
3.	Remuneration policy	✓	✓			✓
4.	Efficiencies, biodiversity		✓			
5.	Labour practice disclosures		✓		✓	
6.	Supply chain practices			✓		
7.	Capital structure				✓	
8.	Health and safety				✓	

The increased number of engagements below demonstrates the PIC's impact on an increasing number of investee companies willing to engage on ESG matters.

ESG Listed - Total engagements for the year



Most common engagement themes by pillar



100%

19%
Board Composition

8%
Strategy

7%
Corporate Governance

2%
Capital Structure

4%
Health and Safety

5%
Transformation

31%
Remuneration Policy

13%
External Auditors

5%
Other

4%
Labour Practice

2%
Environmental

PROXY VOTING

The PIC supports and enhances its investment rationale for investee companies through appropriate engagement and the subsequent exercise of voting rights. The Corporation votes at all investee company meetings and on all resolutions. To ensure transparency, the PIC publishes its voting records quarterly on its website. The ESG team analyses all resolutions brought to shareholders for a vote.

Before finalisation of the votes, the PIC engages proactively both internally and with the investee companies on its rationale for voting on a particular matter. Investee companies will then receive written notification of how the PIC will vote and the reasons will be recorded when the PIC votes against a resolution. The votes are then submitted to the PIC's custodians for processing. The PIC may attend meetings where its delegated official will vote in person.

The following figures on the left illustrate all the listed company meetings held during the 2018/19 financial year where the PIC exercised voting rights on behalf of its clients. The PIC has increasingly voted against the following resolutions:

Appointment of audit committee members

The PIC values the role of audit committees in investee companies as they safeguard the interests of all shareholders. It supports the King IV Principle that the audit committee should comprise mostly of independent non-executive directors.

Approval of remuneration policy

The PIC supports fair and responsible remuneration. Companies should adopt remuneration policies that create sustainable long-term value for shareholders. Short- and long-term incentive schemes should be tied to performance conditions that are within management's control and that are consistent with long-term value creation for shareholders. Non-financial indicators should form part of the company's key performance indicators (KPIs) to ensure sustainable future financial performance. For example, workplace safety requirements for mining companies ought to be implemented diligently, as adherence will improve financial returns through fewer work stoppages and workplace accidents.

Reappointment of external auditors for investee companies

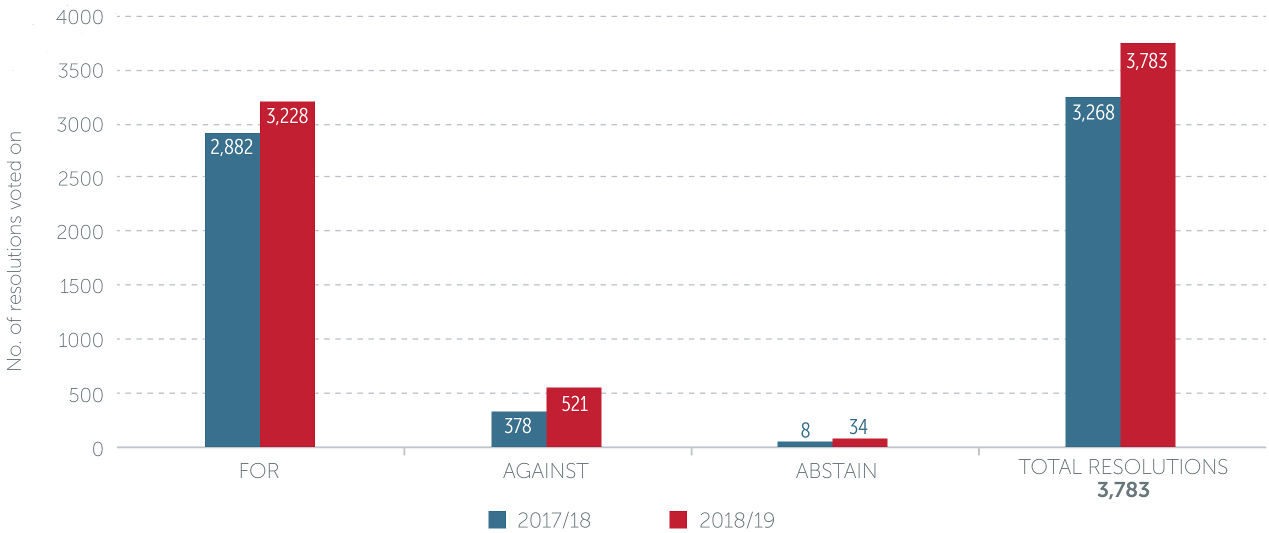
The PIC continues to support mandatory audit firm rotation to ensure independence. It is certainly telling that the spotlight has shone more brightly on some of the most prominent external audit firms over the past months, with allegations of misconduct and misrepresentation.

Capital structure

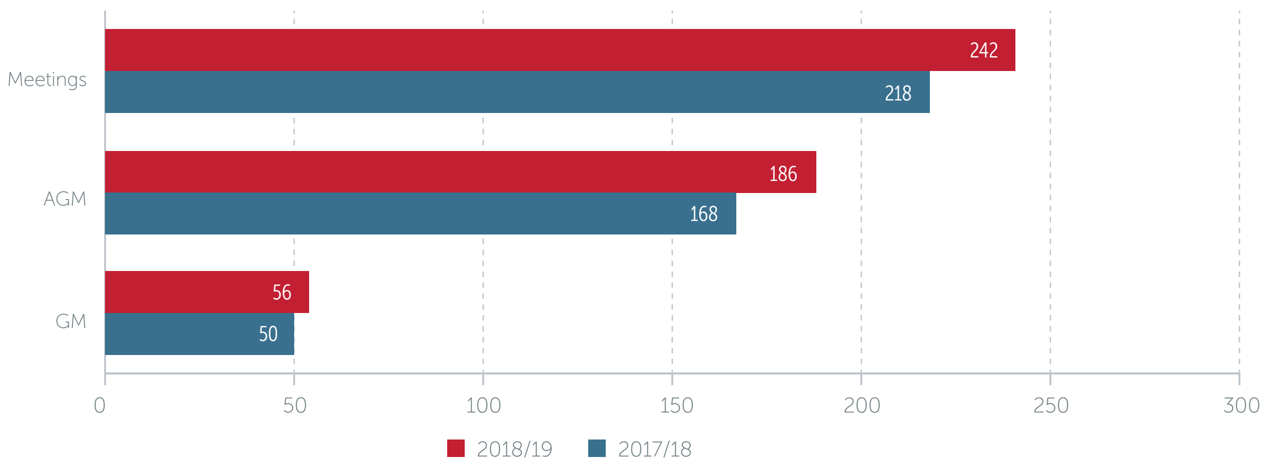
The PIC prefers a fully motivated resolution to place shares under the control of directors, and to issue shares for cash and other related share capital resolutions, which are above a 5% limit, as stipulated by the PIC ESG Policy. This avoids the potential risks of diluting shareholder value or poor implementation of an acquisitive strategy.

Analysis of total voting for the year

*TOTAL RESOLUTIONS VOTED ON WERE 3,783 IN 2018/19 (2017/18: 3,263)



*TOTAL MEETING VOTED AT WERE 242 IN 2018/19 (2017/18: 218)

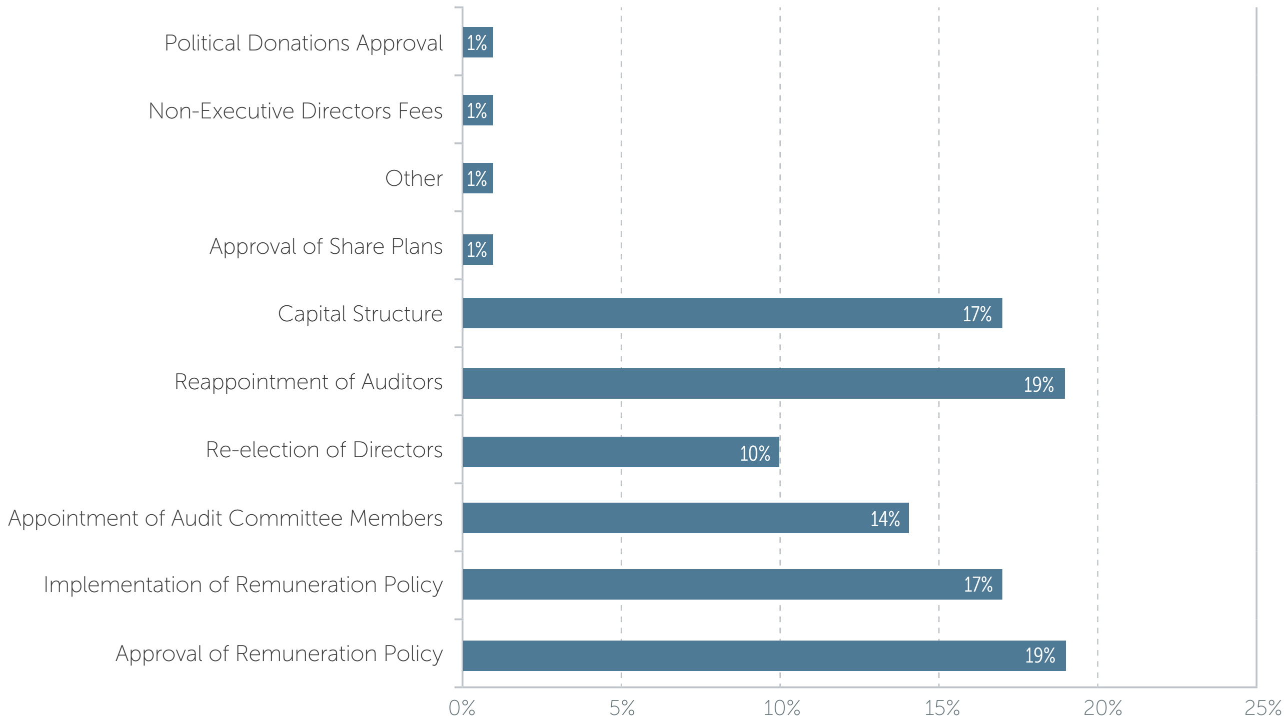


Source: PIC Research

Total voting summary – 1 April 2018 to 31 March 2019

	MEETINGS	AGM	GM	RESOLUTIONS	FOR	AGAINST	ABSTAIN
Property	49	35	14	737	632	101	4
Investment Services	30	25	5	500	417	83	0
Consumer	42	36	6	692	568	120	4
Industrial	51	37	14	780	632	124	24
Insurance	9	8	1	189	169	20	0
Banks	5	4	1	87	75	11	1
Resources	35	27	8	536	493	42	1
Telecoms	10	4	6	85	83	2	0
Construction and Engineering	2	1	1	14	11	3	0
Healthcare	9	9	0	163	148	15	0
TOTALS	**242**	**186**	**56**	**3,783**	**3,228**	**521**	**34**

Breakdown against votes



CASE STUDY:
Investment performance signature promise signed and delivered

Aeon Investment Management (Aeon) is a boutique investment management firm in Claremont, Cape Town. It comprises eight investment professionals. Six are black and four of the six are women.

Established in December 2005, this B-BBEE level 1 contributor has focused on creating an investment performance signature sought after by clients and strategically focused on institutional mandates. The decision to pursue this strategy stemmed from the difficulties foreseen in competing with incumbents in retail distribution. As reported by the 27four BEE.conomics 2018 report, less than 1% of the South African unit trust industry is managed by black firms.

The firm has grown steadily and built a credible value proposition in the 14 years of its operation. In spite of a difficult and arduous journey, with asset accumulation a major hurdle, the team remained patient and resilient.

The most significant highlight for Aeon was that, amid the mayhem of the international markets after the global financial crisis, the PIC had the foresight to support and trust black-owned and -managed emerging investment firms with assets to manage. The PIC allowed Aeon to establish itself, trusting the firm's abilities to generate alpha and succeed in a highly competitive environment.

In March 2010, the Corporation invested R500 million in the Aeon Active Equity Fund. The allocation was increased in 2013, 2017 and 2018 as a result of Aeon proven investment performance, growth of new clients and strong commitment (not just lip service) to Environmental, Social and Governance (ESG) principles.

As a UN Principles for Responsible Investment (UNPRI) signatory since 2014, Aeon prides itself on its alignment and integration of to ESG principles into the investment process to deliver sustainable investment returns for clients.

The approach has yielded favourable returns and bears out Aeon's belief that strong corporate governance (or lack thereof) can impact a company and its investment returns. Through active management, Aeon avoided recent blow-ups such as Steinhoff, Tongaat, EOH and Ascendis Health, which saved the PIC and other investors hundreds of millions of Rands.

In its 2019 UNPRI assessment report, the firm received a Triple A+ rating for the second consecutive year (top quartile for prior years) for the following modules: Strategy and Governance, Listed Equity – Incorporation, and Listed Equity - Active Ownership.

Aeon is gaining traction and significant industry recognition. It has won awards for its Balanced Prescient Fund, which has a track record of more than six years. It holds over R11 billion in total assets under management and has been profitable for more than 10 years. The PIC's support and trust have been key to the stability and success of the firm.

In 2018, Aeon launched the Aeon Active Equity Prescient Fund, which has secured more than R250 million to date.

Believing that education of the underprivileged is the key to South Africa's success, Aeon pledges more than 10% of profits before tax to the non-profit organisations, Numeric and Bulungula College Endowment. In March 2019, Bulungula Incubator and co-founder Rejane Woodroffe received the 2019 Study UK Alumni Award from the British Council for social impact in Eastern Cape.

Aeon founder and Chief Investment Officer, Asief Mohamed, received the 2018 ABSIP Gamechanger of the Year award for his outstanding contribution to the investment management industry. Asief serves on the Financial Sector Transformation Council (FSTC) on behalf of the Association of Black Securities and Investment Professionals (ABSIP) to influence transformation policy within the financial sector.

Having set out to build itself into an investment manager of choice in the institutional and retail markets, with a diverse clientele and increased support from established asset consultants, Aeon has achieved a noteworthy investment performance track record and sustainable growth in AuM. The firm will continue to work with clarity and energy and strive for success that positively impacts all stakeholders.

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CASE STUDY:
Flowing funds keep things current for Benguela

Benguela was founded in October 2013 and began operations in January 2014, seeking to offer a unique and aspirational proposition.

The founders recognised that their peers had done a good job of 'deracialising' the industry, but that more was needed to 'decolonise' worldwide fund management. South Africans were paying foreign firms for fund management services that could be delivered by local firms. In addition, there was negligible 'beneficiation' by these firms to create sustainable global investment management skills in South Africa. Without game-changers, South Africa would forever be at the mercy of foreign firms for the management of its worldwide assets. As a result, Benguela was founded as a dependable, black-owned South Africa-based worldwide firm.

'From inception, we were aware that our vision was ambitious and required enormous dedication,' says Benguela Chief Investment Officer and co-founder, Zwelakhe Mnguni. 'As an owner-funded business, we felt it more prudent to start by providing South African fund management services while using our funds to build a global track record.'.

Benguela was committed to skills development to drive transformation in the industry. 'We created a graduate programme to provide young black South African graduates with their first investment management experience,' says Mnguni. While initially, the firm's ability to provide such opportunities was constrained by the amount of assets under management (AuM), an allocation of R800 million by the PIC in 2017 enabled Benguela to increase the number of graduates/interns from two to five at any given time. Fifteen graduates have benefitted from Benguela skills development programmes, two of whom remain with the firm.

The PIC allocation also reassured a number of potential clients that Benguela could be trusted with their hard-earned assets. When Benguela was allocated incubation assets by the PIC, its AuM stood at R700 million. The PIC was its sixth and largest client and following the allocation, Benguela gained five more clients, reaching assets of R5 billion in May 2019. In addition to gaining some sizable global AuM, Benguela is now licensed under Section 65 of the FSCA to distribute its Irish-domiciled Global Equity Fund in South Africa and establish a Global Feeder Fund.

From two founders and two graduates, Benguela has grown over the past year, to 13 experienced investment professionals.

The company continues to develop graduates as part of its longer-term contribution to the transformation of the industry. The business is now scaled to cover all aspects of investment management: risk management, fund administration, operations, business development, investment research investment and portfolio management.

'Through incubation programmes from clients of reference such as the PIC, Benguela has achieved scale to fulfil its patriotic founding vision of localising global investment management into the hands of the rainbow nation of Nelson Mandela,' Mnguni concludes.

CASE STUDY:

Getting real with investment in real estate

Meago Asset Managers was formed in 2005, at a time when there were very limited opportunities for black investment professionals in the industry and the sector remained dominated by large, established institutions.

Jay Padayatchi and Thabo Ramushu, former Stanlib employees, were determined to transform the asset management industry with a best-in-class, black-owned, boutique fund manager.

Challenges experienced in the first few years made the partners question the wisdom of their decision, but the vision of a sustainable asset manager that would inspire black investment professionals entering the industry kept them going.

By 2009, with two clients and assets under management of R300 million, Meago received its first allocation from the PIC - R170 million as part of the B-BBEE Developmental Manager Programme. Whilst not a substantial allocation at the time, it provided a psychological boost and confidence among other pension funds to invest in Meago. After several years of consistently strong performance, Meago graduated from the incubator programme and received substantial inflows from the PIC, which currently accounts for under 30% of its assets under management. In addition to support and back-office staff, Meago now has three portfolio managers and four investment analysts.

The founders have created an entrepreneurial business that provides a platform for aspiring black financial services professionals. Moreover, they are empowering would-be professionals by taking them through a graduate programme, which has already provided seven graduates with much-needed work experience. Some have joined Meago, whilst others have used it as a stepping stone and moved on to other companies.

As a manager with a focus on real estate, Meago has established a partnership with the South African Institute of Black Property Practitioners in terms of which it provides vacation work for undergraduates in the built environment. This provides exposure to the real world of work, whilst providing insight into real estate for potential black property practitioners.

The founders have created an entrepreneurial business that provides a platform for aspiring black financial services professionals

CASE STUDY:
Prowess Investment Managers

Prowess Investment Managers, founded in 2009, was the first black female-owned investment management firm in South Africa, with a bold agenda to build a sustainable business model with an impressive track record and a brand that transforms people and nations.

Based in Cape Town, South Africa, the team is in a strategic position to identify investment opportunities locally and across the continent, with the view to creating value for clients to thrive.

The company enjoys ever-increasing client allocations from diverse asset owners that appreciate the team's understanding of the challenging investment landscape, which demands navigating the interconnectedness of governance and leadership with investment decisions.

Investment Product Diversification:
1 to 6 product choices

Prowess's awards - Emerging Asset Manager of the Year in 2015, Leading Women-owned Company of the Year in 2018 and Fixed Income Fund of the Year 2018 - reflect the industry's recognition of the company's staying power and performance in creating and delivering value for investors within a robust, reliable and repeatable investment framework.

The current drive - partnering towards exponential growth - is born from an innovative and futuristic outlook to seek disruptive interventions for meaningful change. A Prowess core belief is that investments whose returns do not translate into visible transformation and irreversible development amount to irresponsibility. Strategic partnerships are, therefore, imperative to ensure organisational objectives and goals for the company and for others.

Our enduring purpose to create and deliver ***value for investors*** *within a robust, reliable and repeatable framework*

This year, the company will more than double its assets under management and its team capacity through the addition of graduate interns seeking exposure to the industry and the tutelage of experienced and mature team members. The Prowess Foundation is planning other initiatives for direct community beneficiation.

The PIC's role in the company's success is acknowledged and the allocation by the Corporation as one of Prowess's biggest investments is seen as an expression of confidence in its business strategies.

AuM Growth:
112% since PIC allocation

Staff Growth:
57% since PIC Allocation

Number of Interns Trained
since Inception: 13

UNLISTED INVESTMENT PORTFOLIO

Impact Investing, Private Equity and Structured Investment Products (Private Equity) constitute the unlisted investment portfolio. These portfolios continue to grow as approved projects are implemented.

During the year under review, the total portfolio increased from by 13% to R85.1 billion (2018: R75.2 billion) which is considered modest considering the challenges with some of the investments in certain sectors.

The disbursements amounted to R12.6 billion (2018: R18.1 billion), a drop of 30% compared with the previous year. Approvals during the financial year amounted to R10.1 billion (2018: R12.7 billion) a decrease of 21% as compared to prior year.

Impact Investing Overview

The Impact Investing portfolio provides loan and equity funding to new or existing companies seeking to expand their operations. In addition to generating financial returns that meet or exceed clients' benchmarks, such investments must impact positively on the economy and the livelihoods of people. Given the high rate of unemployment, job creation and retention are of paramount importance to the PIC. However, other key areas of impact include the provision of affordable housing, education and healthcare; creation and development of entrepreneurs and small and medium enterprises, and infrastructure development.

Transactions Concluded:

Urban Lifestyle Investments (Proprietary) Limited

The PIC committed R500 million to Urban Lifestyle Investments (ULI) (Proprietary) Limited. ULI provides affordable housing rental stock mainly in inner cities of major centres in South Africa. The company acquires buildings, refurbishes and then rents them out at affordable prices. Barriers to entry for first-time home buyers who do not qualify for loans, the need to live closer to work and easier access to public transport have created a demand for affordable housing in the inner cities. The PIC funding will serve as a catalyst to attract further capital from financial institutions to bolster the supply of highly demanded affordable accommodation in the inner cities.

Oceans Umhlanga Hotel

The PIC committed R187 million to fund Oceans Hotel in Umhlanga. The hotel is part of a mixed-use development that includes a mall and residential apartments. The 2016-room hotel will be operated by Radisson Hotels, a world-renowned hotel operator. The project will cost circa R620 million. The PIC, the Industrial Development Corporation (IDC) and the public are co-funding the project. The company raised part of the equity through an initial public offering, through which approximately 20,000 individuals subscribed for a combined 31% equity holding in the hotel. IDC will fund R220 million of the debt required in the project. The PIC's Property Division will be a co-owner in the retail development (mall).

Small Medium Enterprise (SME) Retail Intermediaries

The PIC has committed approximately R1.35 billion to three intermediaries that aim to provide funding to SMEs in South Africa. The largest of these is the Enterprise and Supplier Development Fund, which provides funding to SMEs that are part of supplier development initiatives in the corporate and public sector. The Corporation supports these initiatives because it believes SMEs remain the engine for economic growth in the country and are the largest contributors to job creation at an efficient cost.

New Mandates

In line with the client (Unemployment Insurance Fund) mandate to invest to create and preserve jobs, the PIC committed R1.2 billion to Edcon to ensure sustainability and prevent loss of approximately 28,000 jobs. This was part of a funding package with other lenders of the company.

Similarly, the PIC committed R315 million to Concor, a construction company that is under severe financial strain. The PIC's funding has saved approximately 3,300 jobs. The intention of the funding is to attract funding from local financial institutions for the company to honour a significant pipeline of confirmed orders, which will ensure it remains operational and profitable.

Private Equity and Structured Investment Products (Private Equity)

The Private Equity portfolio focuses on investing in companies which are able to generate good financial returns and that promote the principles of broad-based black economic empowerment (B-BBEE).

The past year's economic environment was challenging, with subdued macro-economic fundamentals in South Africa resulting in poor returns, companies not investing surplus cash and black economic empowerment deals put on hold until company valuations rise. This has impacted on the volume of business done by the Private Equity team, necessitating restructuring of the terms and conditions of investments made in various portfolio companies.

During the financial year under review, the PIC exited its investment in Libstar Holding Limited through an initial public offering (IPO). The exit resulted in an internal rate of return (IRR) of 20%. Libstar is a leading producer and supplier of high-quality products in the consumer packaged goods industry and markets a wide range of products in South Africa and globally.

The Private Equity portfolio was used in the 100% acquisition of Bank of Athens. This strategic acquisition enabled the repositioning of the entity to Grobank Limited. Launched in April 2019, Grobank's aim is to deliver extensive banking experience gained through its history as South African Bank of Athens and access deep food and agri-business knowledge for its shareholders. The bank also aims to support the food and agriculture value chain in South Africa. As a critical sector, agriculture is well positioned to enable growth and job creation in South Africa.

Transactions Concluded:

Liberty Star Consumer Holdings (Libstar) is a holding company in the fast moving consumer goods industry, with interests in enterprises that manufacture and distribute products in the food, beverage, household and personal care segments of the market.

Libstar was formed in 2005 to serve the growing private label, out of home (including quick service restaurants) and contract manufacturing markets. The company is headquartered in Johannesburg, South Africa and comprises 27 business units in 31 sites in Gauteng, Mpumalanga, KwaZulu-Natal, Western Cape and Eastern Cape. During December 2014, the PIC concluded a capital investment for an equity shareholding in Libstar, whose revenue is generated from four core business avenues.

After the PIC acquired equity in Libstar in December 2014, the group's shareholders approved a 'Pursue, buy and build' growth strategy to create a leading foodservice player in the market. The strategy focused on acquiring food and other strategic assets that would provide Libstar with the opportunity to significantly expand its reach within South Africa through different retail channels and/or customers, and to increase exposure into the sub-Saharan Africa region. To support this strategy, the PIC made further investment that took the company to a listing on the JSE.

During May 2018, the PIC exited its investment in Libstar through an IPO after implementing a B-BBEE transaction through an employee share ownership plan. The exit resulted in IRR of 19.83% achieved for PIC clients.

Philafrica Foods (Pty) Limited (Philafrica) is one of the largest food processing companies in South Africa.

The PIC has a minority stake in Philafrica, which owns and operates maize and wheat mills, an oilseed crushing, extraction and refining plant, and animal feed manufacturing plants spanning all animal categories.

Philafrica's vision is to transform the lives of millions of Africans through food processing and sourcing directly from smallholder farmers across Africa. With food insecurity being a critical challenge in Africa and the situation likely to increase as the population grows rapidly, Philafrica represents an important investment. The inefficient use of resources, poor agricultural practices and significant imports of processed and unprocessed foodstuffs provide opportunities to industrialise agriculture on the continent through import substitution and local processing of food staples. Philafrica is in a position to be a significant player that provides a solution to growing food insecurity.

The PIC and other Philafrica shareholders have provided cash to support the company's investment strategy. The investment thesis is premised on Philafrica becoming a pan-African agricultural player with a major role in reducing the key barriers to raising and processing agricultural production in Africa. This is in line with the PIC's strategy of achieving tangible socio-economic impact and returns through its investments.

The RTT Group (RTT) is one of South Africa's largest independent express parcels and logistics service providers, offering overnight distribution capabilities.

RTT specialises in sophisticated, secure door-to-door supply chain management for high-value consumer and industrial products requiring high levels of service and security. Established in June 1980, RTT has gained tremendous experience and insight into various markets, which has positioned it to address specific channel supply chain models across all industries. The company's geographic network extends beyond the African continent.
RTT combines organic and acquisitive growth strategies, through which it seeks to acquire a range of complementary companies in transportation and logistics services, both locally and internationally.

The PIC has held a minority stake in RTT since 2014, with Ethos Private Equity as the majority shareholder in the RTT Group.

In 2017, trading declined significantly, due primarily to the macroeconomic environment in South Africa. In addition, a number of areas within the business required further improvement. Consequently, the business underwent an intensive strategic review, focusing on revenue and cost analysis, pricing, customer analysis, contract analysis, sales-force effectiveness, and people and leadership.

Grobank Limited, formerly known as South African Bank of Athens, supports the food and agricultural value chain in South Africa, while boosting small-scale farmers.

The South African Bank of Athens operated in South Africa since 1947, specialising in the delivery of a comprehensive business banking to its customers and the development of market-leading niche transactional banking offerings in partnership with select businesses.

In November 2018, the PIC, AFGRI Holdings (Pty) Ltd and Fairfax Africa bought 100% shareholding of Bank of Athens, which was relaunched as Grobank Limited in April 2019.

Agriculture continues to be viewed as a key driver of growth and job creation in South Africa. As a shareholder, the PIC continues to support Grobank in its growth path.

CASE STUDIES

The PIC, on behalf of the GEPF, made a commitment to sell its directly held equity interest in three renewable energy projects to emerging black entities. These projects, SunEdison Soutpan Project (Soutpan), SunEdison Witkop Project (Witkop) and Solar Capital De Aar, were part of window 1 bid of the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP). The PIC's investment helped fill the funding gap and enabled the successful implementation of the initial projects in REIPPPP. The PIC also provided funding for the three communities to acquire equity in their respective projects. During the financial year, the PIC sold two assets to emerging black industrialists in the energy sector. It is expected that the sale of the third asset to a black independent power producer will be completed within the 2019 calendar year.

CASE STUDY:
SunEdison Soutpan Project (Soutpan)

SunEdison Soutpan is a 28 megawatts (MW) solar photovoltaic (solar PV) power plant in Limpopo.

The project was developed by Sun Edison in partnership with a South African black-owned entity. The project uses polycrystalline silicon PV modules to generate electricity from solar radiation. Construction was completed in July 2014. The PIC's cash investment in the project amounted to R115 million, including the funding for the community's ownership interest.

The existing minority, the black-owned shareholder and the PIC reached an agreement whereby the PIC sold its 24% equity interest to that party. The black-owned entity raised its shareholding in the project from 15% to 39%, giving it a greater influence on the running of the project.

The sale was concluded in October 2018. The black-owned entity conducted a fundraising process and secured the funds for the acquisition from commercial banks.

CASE STUDY:
SunEdison Witkop Project (Witkop)

SunEdison Witkop is a 30 MW solar photovoltaic (solar PV) power plant in Limpopo.

Similar to the Soutpan project, Witkop uses polycrystalline silicon PV modules to generate electricity from solar radiation. Construction was completed in September 2014. The PIC's cash investment in the project amounted to R170 million, including the funding for the community's ownership interest.

In line with the government policy to create black industrialists in the energy sector, the PIC conducted a market-based auction process, inviting bids from several black-owned companies already participating in the Department of Energy's REIPPP. The bids were adjudicated on price and empowerment of women and youth groups.

The sale was concluded in November 2018 to the highest-ranking bidder. That bidder conducted a fundraising process and secured the funds for the acquisition from a large pension fund manager in South Africa.

The PIC is proud to have successfully transferred its 39% equity in the project to a black industrialist and independent power producer to give it significant influence over Witkop.

CASE STUDY:
Solar Capital De Aar 1 Project

Due to difficulties with the sale of the third asset, the PIC received approval from the Department of Energy to conclude the process during 2019 and it remains optimistic that this will be done.

The PIC remains interested in the successful operation of all three projects and has thus complied with all requirements imposed by the Department of Energy. In spite of the sale of its shareholding in Soutpan and Witkop, the PIC continues to fund the community trusts in each. All three projects continue to generate electricity and sell the power generated to Eskom under 20-year power purchase agreements.

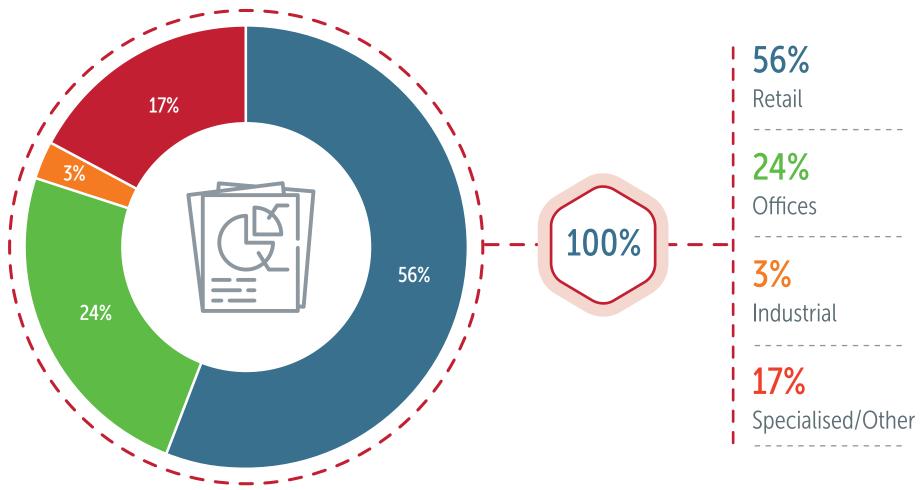
UNLISTED PROPERTIES OVERVIEW

The Unlisted Property Investments portfolio includes both directly and indirectly-held properties. The GEPF, UIF and the CC have exposure to Unlisted Properties. At the end of the 2018/19 financial year, the actual asset allocations under the GEPF, UIF and CC property mandates were 2.74%, 0.17% and 0.014% of their respective AuMs. The total value of the GEPF property portfolio as at 31 March 2019 was R50.80 billion, representing a total gross lettable area (GLA) of approximately 1,260,000m². The GEPF has exposure to the rest of Africa in the indirectly held portfolio through an investment in Gateway Delta Development Holdings Limited. This forms part of the rest of Africa investment strategy. The UIF portfolio has a total GLA measuring approximately 23,825m², valued at approximately R234 million. The CC portfolio currently has one property with a GLA measuring approximately 1,255m² valued at R9.68 million.

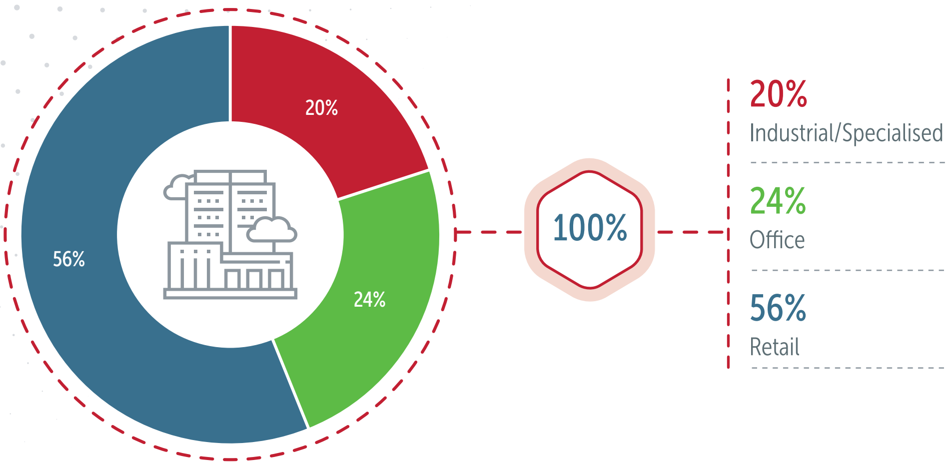
The graphs below show the key characteristics of the unlisted property portfolio:

Asset Allocation Property Portfolio

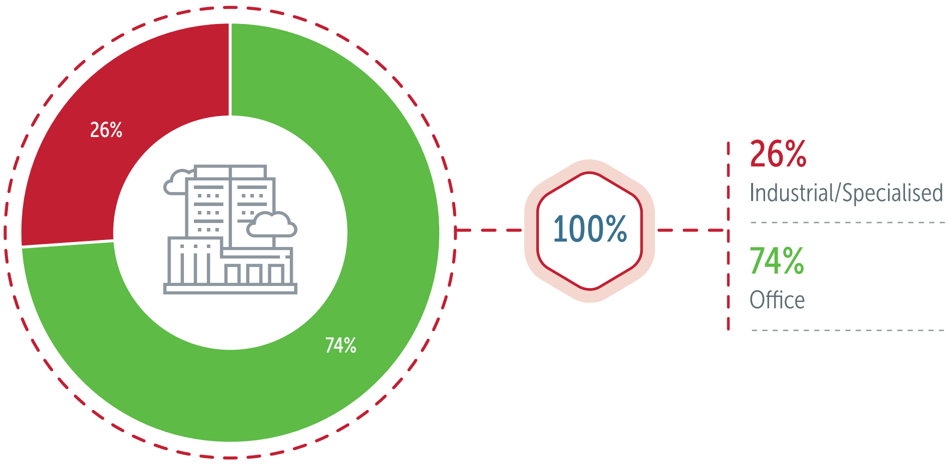
Consolidated Sector Split



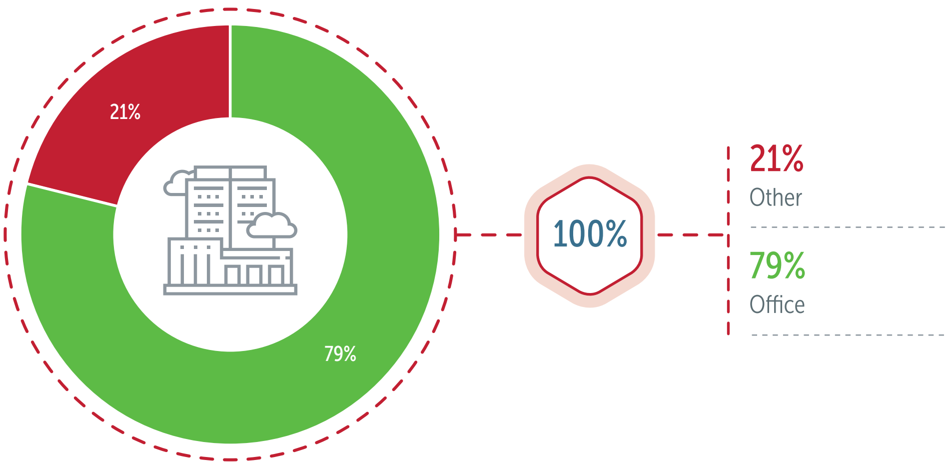
Property Sector Split by Market Value (MV)-GEPF



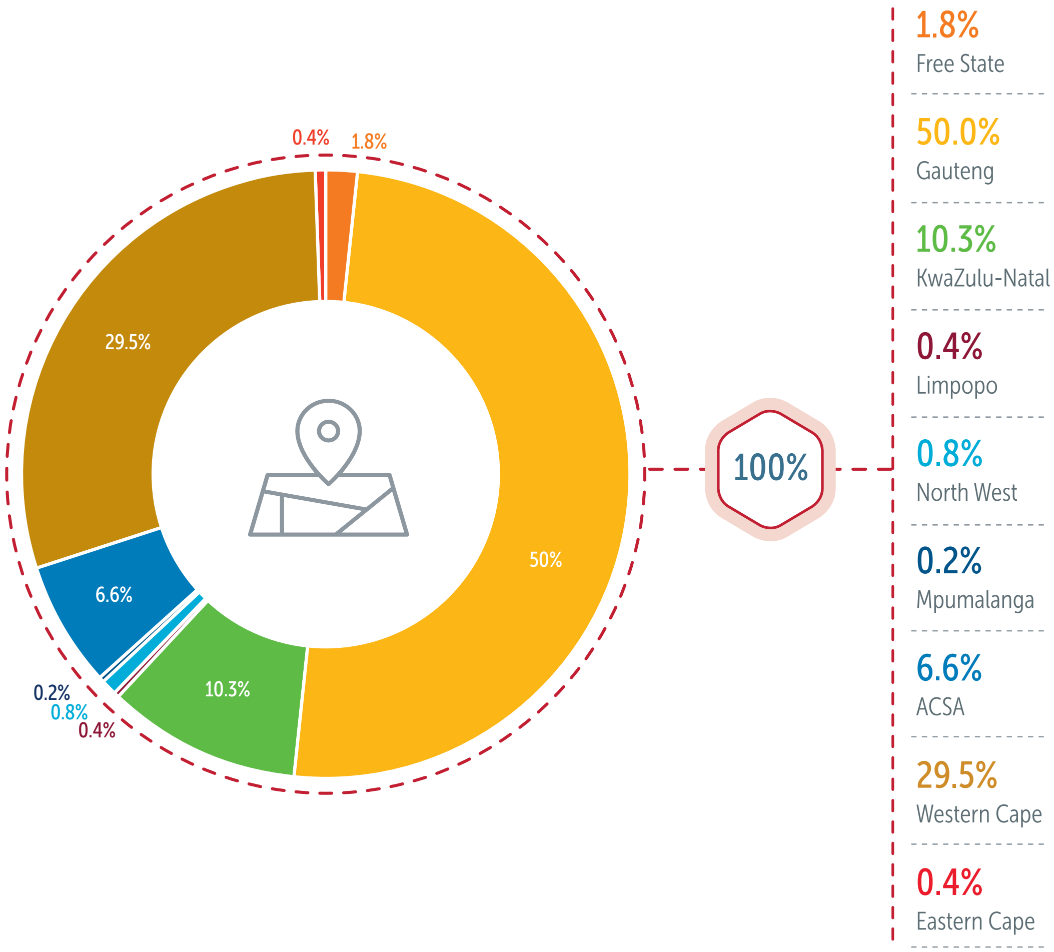
Property Sector Split by MV-UIF



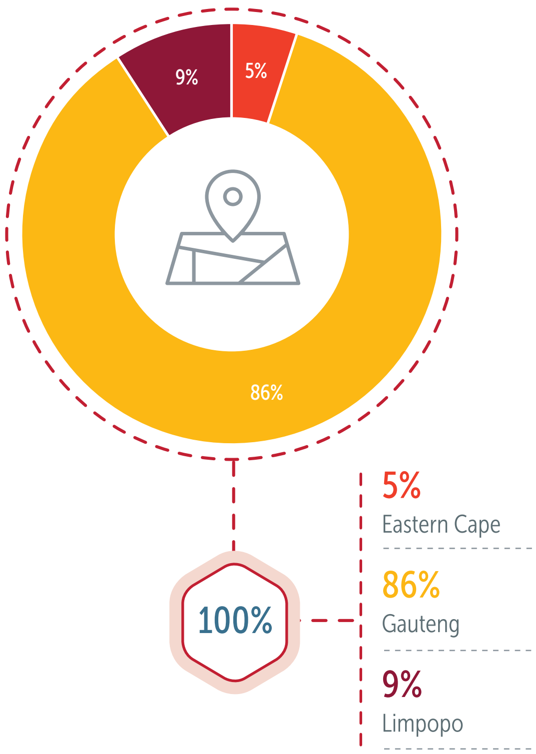
Property Sector Split by MV-CC



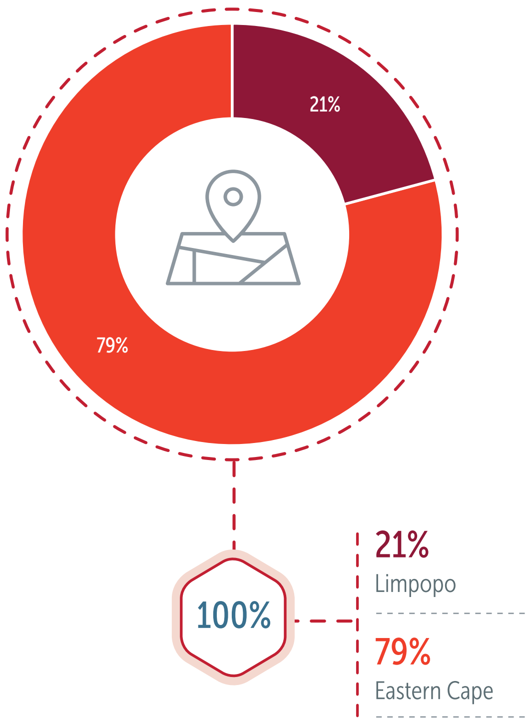
Geographical Split by MV-GEPF



Geographical Split by MV-UIF



Geographical Split by MV-CC



PORTFOLIO PERFORMANCE

The 2018/19 financial year started with positive sentiment, on the back of anticipated changes in government policy that were expected to encourage further investment in the property sector. However, this quickly disappeared as gross domestic product (GDP) growth continued to flounder in the face of growing challenges in the different sectors of the economy. The property sector's performance is closely correlated with the performance of the economy. As a result of poor economic performance, overall property returns were subdued. Vacancies remain high in the office sector, with increasing cost of tenant occupancies posing major risk in the retail sector.

On a positive note, the industrial sector, especially logistics properties showed signs of growth. Portfolio diversification and taking advantage of changing trends in the property sector are key to unlocking value and realising above-market returns for our clients in the long-run.

INDIRECTLY-HELD PROPERTIES

The indirectly-held property portfolio comprises largely retail assets, with holdings in Pareto (76%) and V&A Waterfront (50%) making up the majority of the portfolio. Notwithstanding the tough economic environment, these assets continue to outperform the agreed benchmark. The PIC acquired an equity stake in Arch Property Fund (APF), a holding company in Melrose Arch Precinct. The acquisition of APF is part of PIC's portfolio diversification strategy, which entails acquiring assets in prime locations.

INDIRECTLY HELD PORTFOLIO **HIGHLIGHTS**

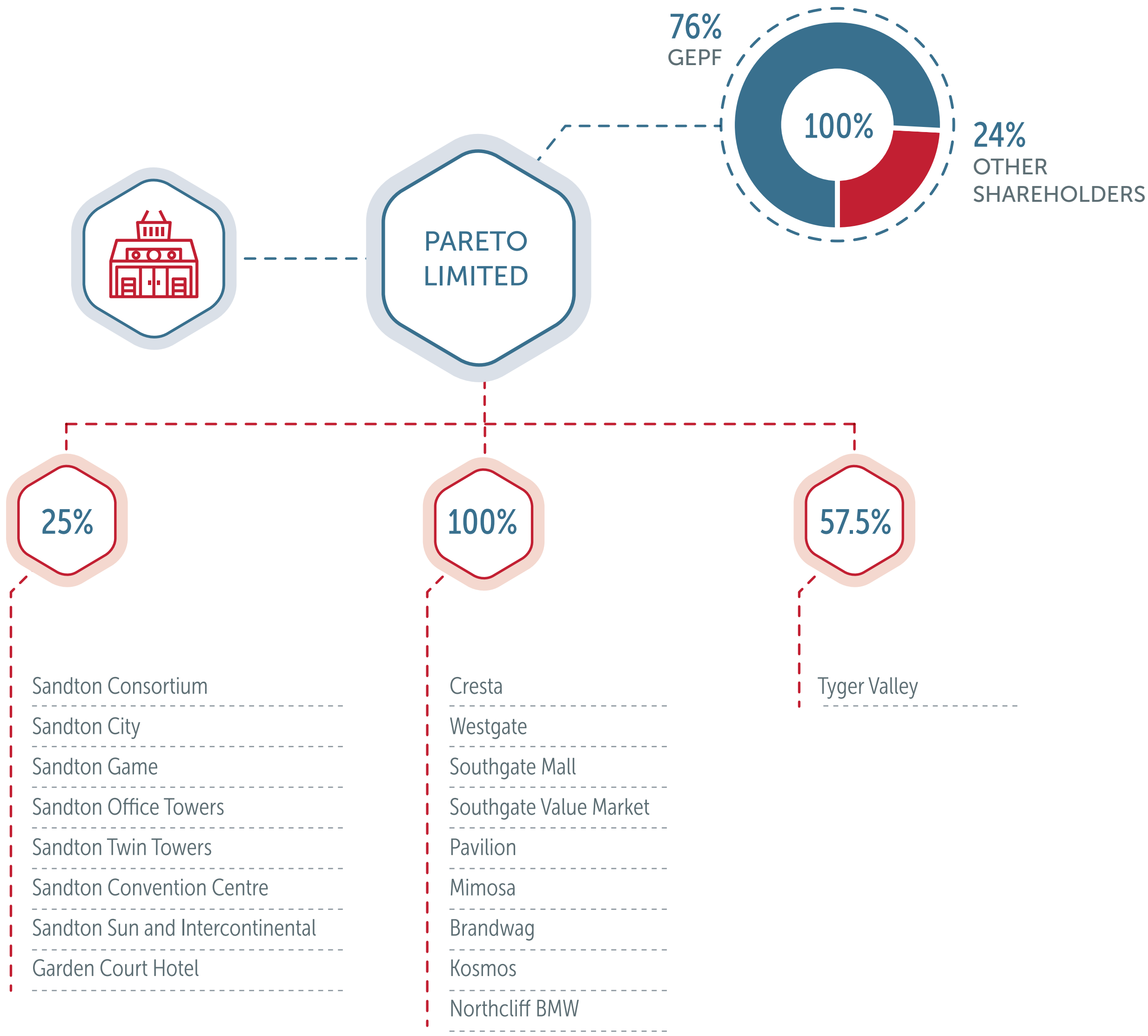
- V&A distributed R20 million dividends to the GEPF during the financial year
- Pareto and BVI continued to provide the GEPF with above-benchmark returns despite declining trading densities and increasing vacancy rates
- V&A started the development of the Canal District, which will serve as a link between the Cape Town central business district (CBD) and the Waterfront
- Gateway Delta started development of three projects in Morocco, Ethiopia and Mozambique
- Arch Property Fund's The Yacht Club mixed-use development achieved practical completion during the financial year
- Arch Property Fund started developing One on Whitely and Melrose Boulevard;
- The Airports Company of South Africa (ACSA) won numerous industry awards for excellent facilities and service offering

Pareto and Business Ventures Investments (Pty) Ltd (BVI)

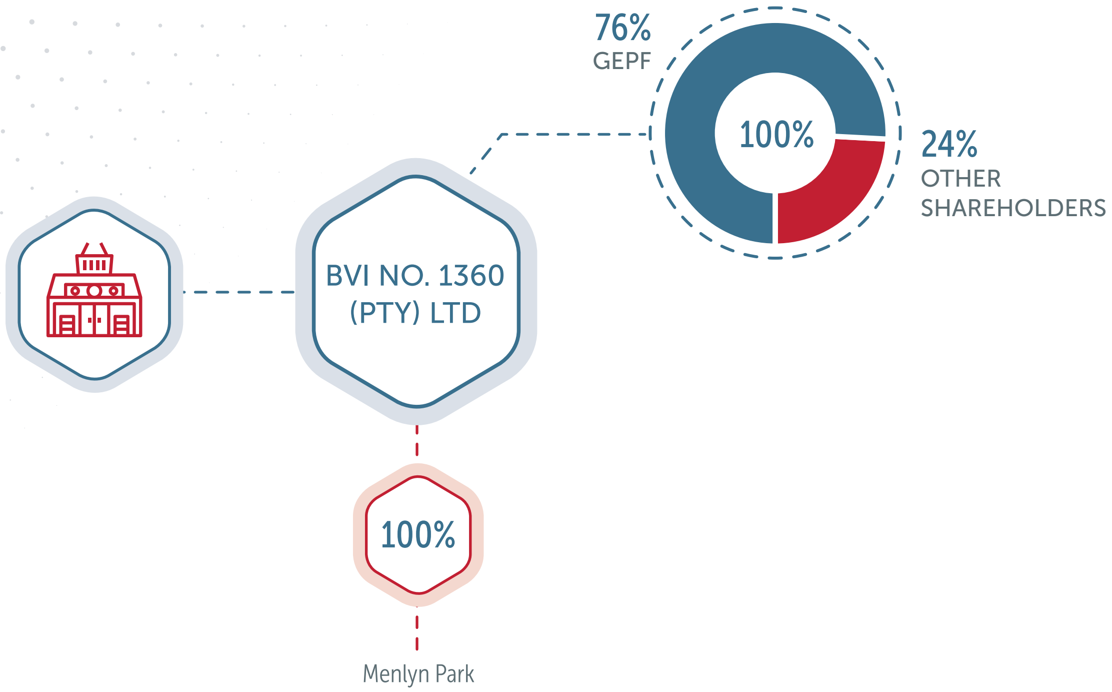
Pareto and BVI were acquired by the GEPF in 2001 and 2011, respectively. Pareto and BVI are unlisted property companies, with a focus on acquiring, developing and operating super regional and regional shopping centres. They are also involved in mixed developments, with a broad national footprint in some of South Africa's prime locations. Properties in these portfolios include Menlyn Park, a super-regional shopping centre in Pretoria, which boasts the largest retail and entertainment centre in the southern hemisphere; Sandton City; Pavilion; Cresta; Westgate; and Sandton Sun and Towers; and Sandton Holiday Inn hotels.

In 2016, Belelani Capital (Pty) Ltd acquired a 24% shareholding in both Pareto and BVI, reducing the GEPF's stake in the group to 76%.

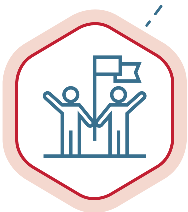
Investment Structure: Pareto



Investment Structure: BVI



THE **KEY HIGHLIGHTS** FOR PARETO AND BVI:

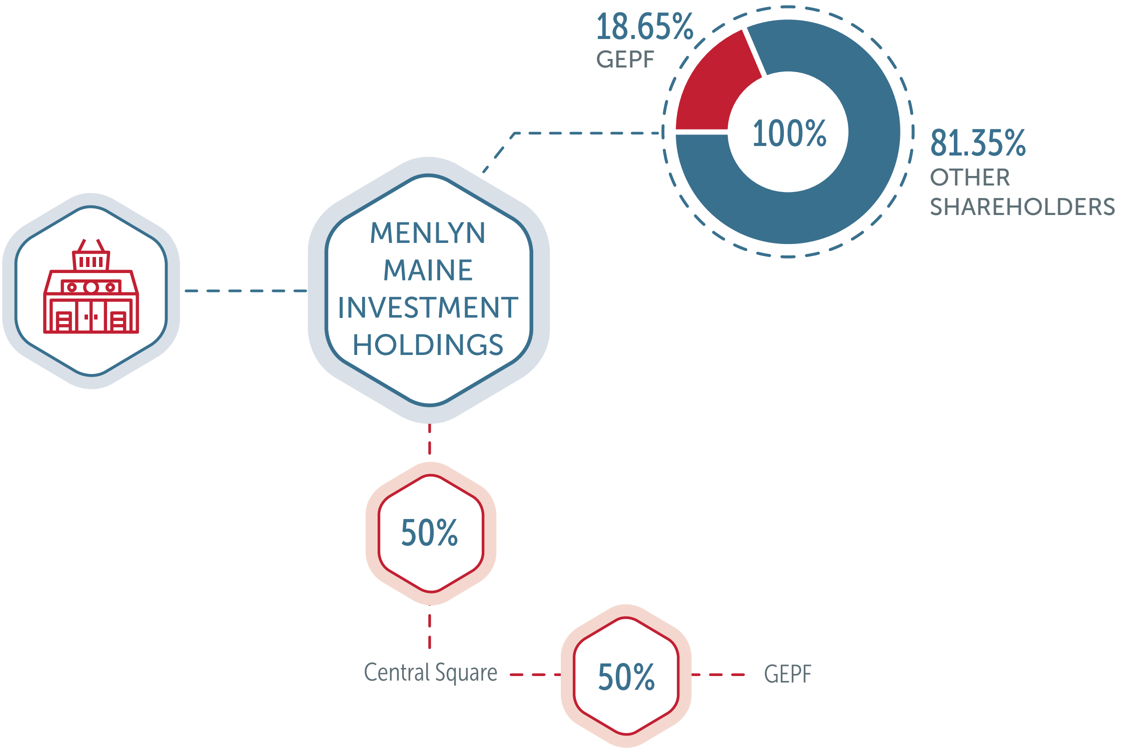


- Completion of Phase 2 of Menlyn Shopping Centre
- Start of the Atterbury taxi facility at Menlyn Shopping Centre, with the creation of a drop-off area to the western entrance for taxis
- Completion of the heating, ventilation and air-conditioning phases 2 and 3 projects at the Pavilion
- Completion of the cinema and food court reconfiguration at Westgate
- Completion of the façade refurbishment of Southgate Value Market

Despite prevailing weak consumer confidence and struggling retail environment, Pareto and BVI provided the GEPF with positive returns, which were above the benchmark. The goal is to continue to reposition the assets through redevelopments and refurbishments to ensure they retain their value and maintain their status as blue-chip real estate assets.

Menlyn Maine Investments Holdings

The PIC owns 18.65% of the Menlyn Maine Investment Holdings (MMIH), which specialises in mixed-use developments. MMIH is behind the development of Ballito Junction Regional Mall in the Dolphin Coast of KwaZulu-Natal and Central Square precinct in Tshwane. Central Square is widely known as the first 'Green City' in South Africa, owing to the dominance of environmentally friendly solutions. The Central Square master plan is almost complete and now contains the following key amenities: Central Square Regional Shopping Centre, which includes solid national tenants; a state-of-the-art Virgin Active Collections; fully let offices - including serviced work stations - taking up more than 20 000m²; serviced apartments and a five-star hotel.



THE FOLLOWING WERE **KEY HIGHLIGHTS** DURING THE 2019 FINANCIAL YEAR:

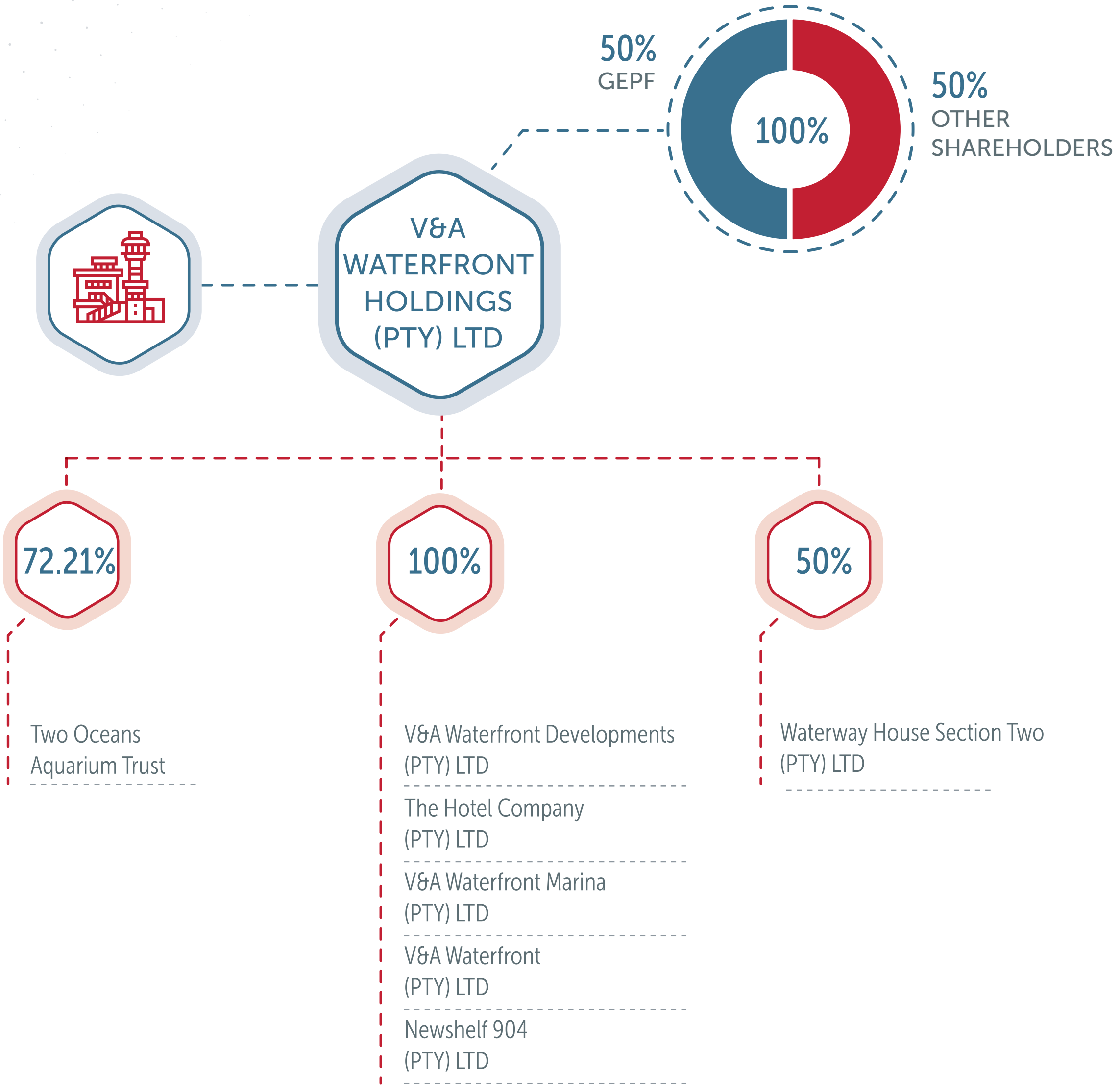
In spite of the tough economic environment, the values of the underlying properties remained resilient, largely supported by prime location, management's ability to contain costs and below-national benchmark vacancies in all assets

Menlyn Maine achieved full sales capacity of the 373 Trilogy Collection apartments, which launched for sale late in 2016. The apartments have reached practical completion, with final completion scheduled for October 2019. To demonstrate the popularity of the node, there is already increased registered interest in Phase 2 of the project

Through its property development and financial successes, the company has started an early debt redemption programme, which saw one of the GEPF's mezzanine facilities repaid 1.5 times within the short lending term

V&A Waterfront Holdings (Pty) Ltd

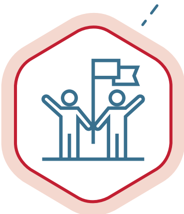
The Victoria & Alfred Waterfront (V&A) Holdings (Pty) Ltd is jointly owned by the GEPF and Growthpoint Properties Limited. It is a mixed-use development spanning 123 hectares of retail, residential, commercial and industrial properties. Along with heritage sites and tourism landmarks, the precinct encompasses hotels, retail, markets, and dining, leisure and entertainment facilities for both local and international visitors. The recently opened Zeitz Museum of Contemporary Art Africa (MOCAA) further contributes to the precinct offering. The museum is situated at Cape Town harbour, the oldest working harbour in the southern hemisphere and one of Africa's most visited destinations, with about 24 million visitors annually.



In the year under review, the company provided above-benchmark returns for the GEPF. The value of existing properties continues to increase year on year, whilst new developments come on stream and are expected to impact positively on property values. Moreover, the company performed well financially despite the current retail/office environments and the reduced tourism numbers driven by water conditions in the City of Cape Town.

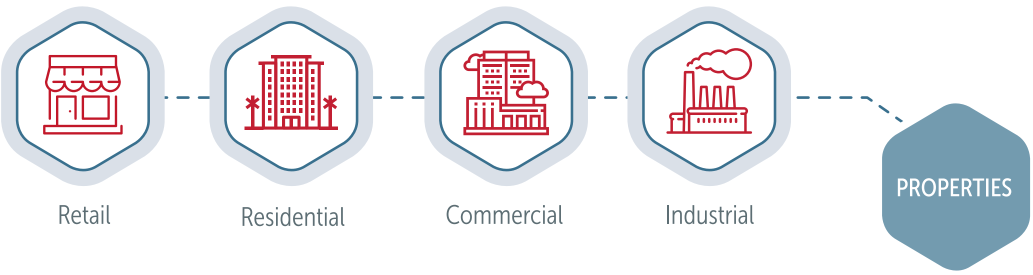
The V&A Waterfront remains committed to protecting the environment and operating in a socially responsible manner. Since 2008, the company has continually invested in energy efficiency, water savings and waste recycling as well as other greening initiatives across the 123-hectare property.

THE **KEY HIGHLIGHTS** FOR THE COMPANY FOR THE 2019 FINANCIAL YEAR WERE:



- Payment of R20 million dividends to the GEPF
- Five Green Star SA awards for No 1 Silo, No 5 Silo, No 6 Silo, Watershed and the West Quay office building
- South African Property Owners Association (SAPOA) 2018 Overall Property Award for Zeitz MOCAA
- SAPOA 2018 Overall Heritage Award for Grain Silo and Zeitz MOCAA
- SAPOA 2018 Mixed-Use Development and Overall Green Award for Silo District
- Opening of Waterway House in the Canal District, home to blue-chip tenants including BAT and E&Y, and a number of retailers
- Commencement of V&A Waterfront swing bridge upgrade
- Construction of V&A Waterfront desalination plant
- Key developmental initiatives include the V&A Waterfront Buskers Programme, The Watershed and Workshop 17

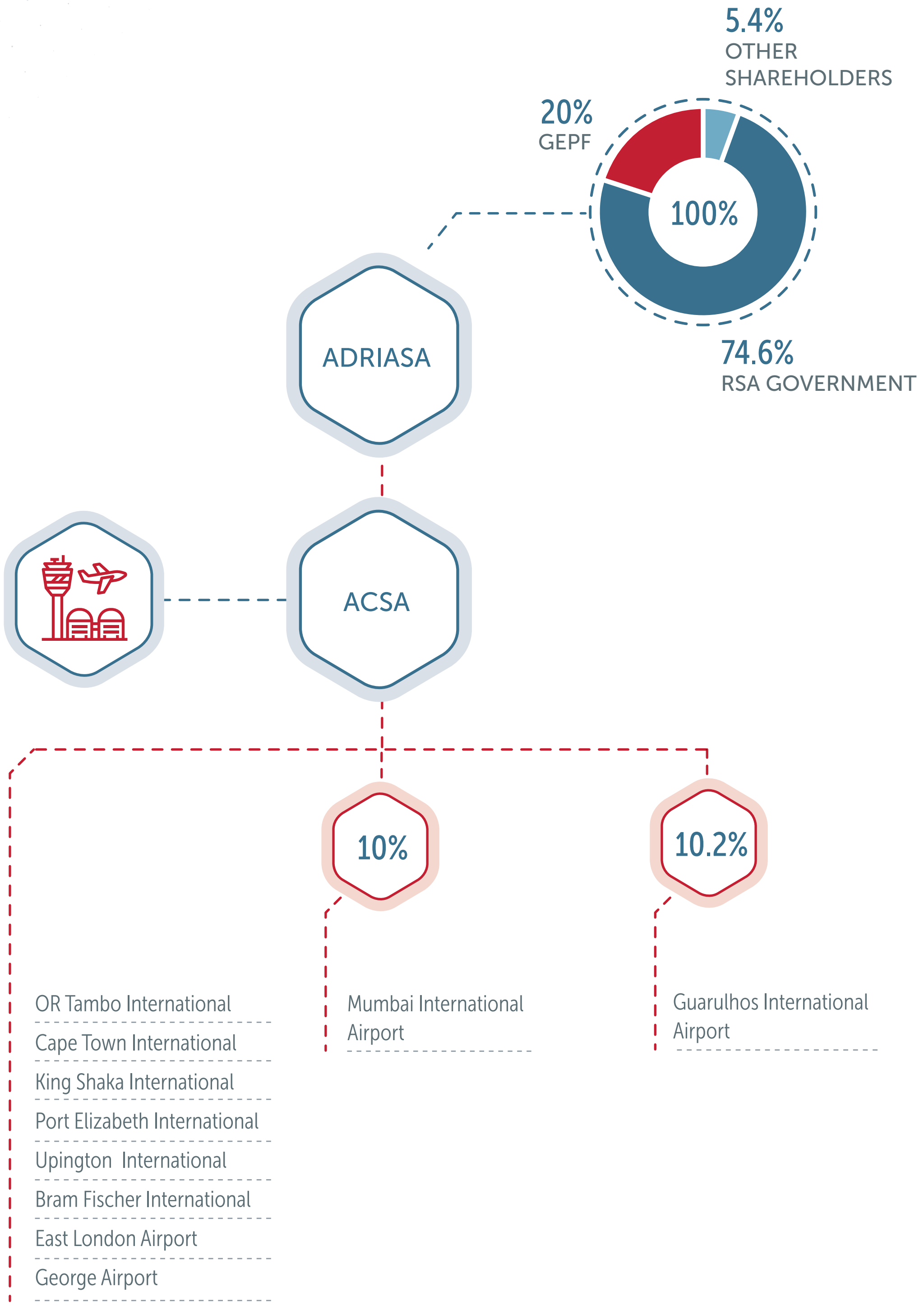
Victoria & Alfred Waterfront is a mixed-use development spanning 123 hectares of:



ADR International Airports South Africa (ADRIASA)

The GEPF, through ADRIASA, holds a 20% equity stake in ACSA. The rest of the equity is owned by the South African government (74.6%) and other empowerment investors (5.4%). ACSA owns and manages nine South African airports and has a stake in international airports through its equity investments in Chhatrapati Shivaji International Airport in Mumbai, India, and Guarulhos International Airport in Sao Paulo, Brazil.

In July 2018, ACSA celebrated its 25th anniversary as a leading provider of airport services and a network of airports. Airport traffic volumes remain intact in spite of the tough economic environment, with an average of 20 million passengers and 270, 000 aircraft landings a year over the past three years.



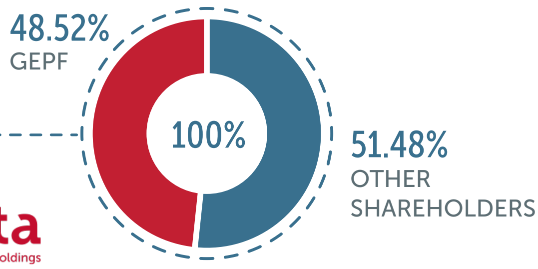
KEY COMPANY **HIGHLIGHTS** FOR THE 2019 FINANCIAL YEAR INCLUDED:

- ACSA celebrated 25th anniversary as a leading provider of airport services and a network of airports
- Successful repayment of R2 billion worth of bonds, which become due on 15 March 2019. This resulted in total lending dropping from R17 billion to R6.5 billion since 2013
- Cape Town International Airport was named Africa's leading airport in the World Travel Awards
- Cape Town International Airport won best airport in Africa award
- King Shaka International Airport won best regional airport in Africa and best airport staff in Africa (5 to 10 million passengers) awards in the Skytrax World Airport Awards
- OR Tambo International Airport was named African airport of the year by Air Cargo Africa

Gateway Delta Development Holdings Limited

Gateway Delta Development Holdings Limited is a real estate company incorporated in Mauritius. Its principal activities are development and investment in real estate assets such as retail, commercial, education, healthcare, specialised residential and industrial across the African content with the specific exclusion of South Africa. The GEPF has a 48.52% equity interest in Gateway Delta.

gatewaydelta development holdings



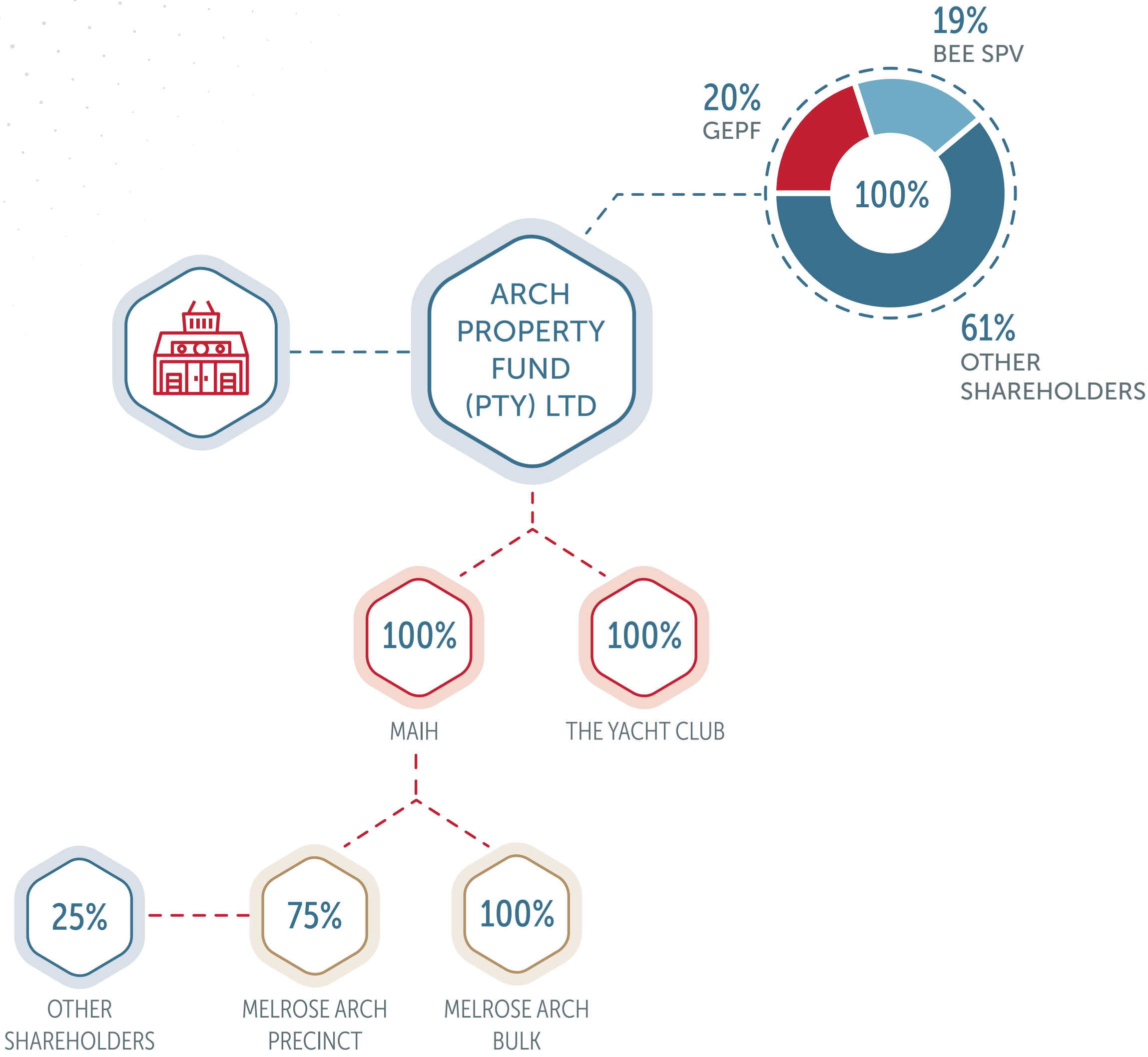
HIGHLIGHTS OF THE 2019 FINANCIAL YEAR WERE:

- The construction and development of 112 upmarket residential unit properties in Ethiopia, which will be occupied primarily by US embassy staff
- Completion of development of a liquid mud plant in Pemba, Mozambique
- Refurbishment of a two-storey retail centre in Casablanca, Morocco, with two levels of basement parking

Arch Property Fund

Arch Property Fund (APF) is a private company established in 2013 to house premium, high-quality assets. The GEPF has a 20% equity shareholding in APF and a 52% equity stake in Honsha Properties, which received a loan to acquire 19% equity in APF.

APF owns key assets such as Melrose Arch Precinct (Gauteng) and The Yacht Club (Western Cape).



HIGHLIGHTS FOR THE YEAR WERE:

- The Yacht Club achieved practical completion in December 2018
- Work has begun on One on Whitely, a 241-residential-unit, 490-key-hotel-room development by Marriott International and the Daytona Auto Showroom, with expected completion date of October 2019
- Work is underway on Melrose Boulevard office building, with expected completion date of November 2020
- Daytona Auto Showroom, Phase 1 of One on Whiteley, reached practical completion and started operating in February 2019

DIRECTLY-HELD PROPERTIES

At 31 March 2019, the PIC managed assets of approximately R15.19 billion in the directly-held portfolio on behalf of the GEPF, the UIF and CC. In a market where values are under pressure and buyers are at liberty to negotiate prices with relenting sellers, the PIC is repositioning the majority of the assets in the directly-held portfolio through redevelopments and refurbishments. This strategy is starting to bear fruit. Disposal of properties is an alternative strategy of realising value. This type of strategy is only executed within terms that are favourable to our clients. For the second year running, the industrial sector's performance (11.73%) surpassed both retail (10.34%) and office (8.38%) sectors, based on 'standing investments'. This highlights the resilience of the industrial sector and the shifting fundamentals that have traditionally driven the other two sectors. However, the top-performing sector is "other investments" (12.71%), which comprises assets such as mixed-use precincts and specialised assets such as hospitals, hotels and leisure resorts. The performance of "other investments" points to a growing trend in real estate, where focus is on specialisation in a real estate portfolio for the enhancement of returns.

DIRECTLY HELD PORTFOLIO **HIGHLIGHTS**

- The industrial portfolio continued to outperform the MSCI benchmark, recording vacancies well below the benchmark
- Completion of the refurbishment of Malvern Heights in Durban
- Installation of a mobile desalination plant at Simon's Town Quayside Hotel
- The PIC continues to be the landlord of choice for clients and government departments, as evidenced by conclusion of a five-year lease on 2 466m^2 at Kasteel Park in Pretoria for the GEPF and a three-year lease on 1402m^2 at Kasteel Park in Pretoria for FAIS Ombudsman, and several projects, including refurbishment of UIF's Bisho buildings reached final completion in October 2018, approval for development of 55 000m^2 Trevenna office campus (GEPF) for R1.5 billion, approval for development of 55 000m^2 UIF Sunnyside Labour Campus for R1.8 billion and approval for a redevelopment of approximately 12 000m^2 of 94 WF Nkomo (UIF) for R379 million
- Fulfilment of approved pre-let conditions for Kingsley Centre redevelopment by concluding the lease transactions with key anchor tenants
- Appointment of a main contractor to start the construction of a R1.3 billion Thlabane mixed-use precinct
- Approval to redevelop Phase 2 Kasteelpark for R209 million
- Secured new tenant for 5 100m^2 of 72 Grayston Building

The portfolio investment focus is still heavily on the office market, which makes up 49%, followed by the retail portfolio at 33% and the Industrial portfolio at 11%. The remaining 7% of the portfolio consists of vacant land, specialised property and residential. The portfolio is well diversified in property type, location and tenant type.

Office Portfolio

The office portfolio constitutes 49% of the directly held portfolio's market value. The portfolio is segmented by grades, where A-grade office buildings continue to lead by market value, at 57%. The B- and C-grade office properties make up 24% and 11% of the portfolio value respectively. The only P-grade property is Business Connexion, which makes 7% of the portfolio's market value.

The portfolio is active in six of the nine provinces of South Africa, with the bulk (86.2%) in Gauteng. This concentration results from the fact that Gauteng is the economic hub of the country, as it produces approximately a third of the annual GDP and because it hosts both the administrative and financial capitals of South Africa. There is an opportunity to diversify exposure to other provinces. The portfolio exposure in KwaZulu-Natal and Western Cape is much lower, at 1.74% in and 7.27% respectively. This exposure is in keeping with these provinces' respective rankings in terms of GDP contribution. Eastern Cape, North West and Mpumalanga make up the rest of the portfolio, with 4.79% of the market value.

The office sector is the most underperforming in the commercial property market due to economic conditions and oversupply of stock. There is a higher risk associated with available stock that is dated, with inferior facilities. The sector is seeing demand gravitating towards prime quality accommodation and modernised features.

Given the current economic backdrop, with general poor economic growth, the office market remains constrained, with high vacancies and no significant growth in rentals. According to the South African Property Owners Association (SAPOA), the improvement in office vacancy rate relies on strengthening macroeconomic drivers such as economic growth, business confidence, financial and business capital investment.

The office market generally follows the trend of the economy and is not likely to see an increase in demand in the short-term. Absence of macroeconomic drivers could have seen the office sector stagnate, leading to higher vacancies and pressure on rentals. However, there has been a noticeable increase in tenants requiring smaller office spaces and downsizing or reducing overheads.

Retail Portfolio

The retail portfolio constitutes 33% of the directly-held portfolio. It consists mainly of small segment centres; convenience; neighbourhood centres; community centres and small regional centres.

The diversified portfolio supported performance, with township-based centres far outperforming the urban shopping centres. The quality of the portfolio has improved over time, reinforcing its ability to deliver sustainable returns through different cycles. During the year under review, the PIC completed the redevelopment of Centre Point Shopping Centre in Cape Town and The Wedge in Johannesburg. The PIC appointed a service provider to constantly monitor energy and water consumption in the portfolio. This will assist in improved cost recoveries, reduced wastage and savings.

The PIC has chosen to invest in the defensive retail property sector and is aware that this strategy is complicated. Retailers are more cautious in taking space at new developments for fear that new stores could cannibalise existing ones.

The PIC is confident that the retail portfolio will continue to deliver a solid operating performance through the defensive nature of its tenant mix and shopper markets. The centres are also well positioned to benefit from an increase in projected consumer activity.

Industrial Portfolio

The industrial portfolio comprises 11% of the total market value of the directly-held portfolio. The industrial properties are situated in three of the nine provinces, namely Gauteng (42%), KwaZulu-Natal (34%) and Western Cape (24%). The portfolio is diversified into four segments: warehousing, standard units, light manufacturing and hi-tech industrial with 85% of its market value in warehousing.

The total return of the industrial portfolio outperformed the MSCI World Industrial index's total benchmark return of 11.44%. This was driven largely by capital growth of 2.47%, which exceeded the MSCI capital return benchmark of 2.06%. The income return of the portfolio's industrial sector, however, is slightly behind the MSCI income benchmark return.

Highlights for the financial year included a number of key leases secured through two multinational logistics companies, RTT and DHL. The Industrial portfolio continued to record vacancies well below the MSCI vacancy benchmark during the financial year.

Specialised Portfolio

The specialised portfolio constitutes 8% of the directly held portfolio and is represented in four provinces, namely Gauteng (49%), North West (27%), Western Cape (15%) and KwaZulu-Natal (9%) by market value. Specialised assets, which include data centres and mixed-use properties, make up 33% of the specialised portfolio, while residential and vacant land make up 24% and 43% respectively.

The total return of this portfolio, especially for properties categorised as 'Other', has been below the MSCI benchmark. This underperformance has to do with the high number of vacant land parcels that are non-income producing and the residential portfolio, which is characterised by high vacancies and rental remissions. Non-core assets not aligned to clients' investment mandate will be disposed, vacant land developed and existing core properties refurbished as part of the long-to-medium term strategy to improve returns.

Outlook

For most of the past financial year, the domestic political landscape remained uncertain and the economy weak. While sentiment is improving, the market remains challenging and is likely to stay this way for the coming financial year. The PIC is committed to constantly improving and optimising the portfolio to create both long-term and short-term values. Acquisitions, new developments, redevelopments, maintenance, strategic leasing and disposals are all tools to achieve this. Redevelopments and upgrades ensure that property assets remain dominant in their location and surrounding areas, as is now the case with most of our retail centres.

The PIC Properties Portfolio will focus on the following key areas in the 2019/20 financial year.

OUTLOOK

GROWTH

Maintaining the PIC's leading position by focusing on quality new developments and redevelopment of non-performing assets; and

Positioning the PIC as the preferred provider of office space accommodation for government and related entities while developing effective rental collection mechanisms.

TRANSFORMATION

Leading the transformation of the property sector through strategic investments that ensure skills transfer and wealth creation to previously disadvantaged groups.

QUALITY AND SERVICE

Developing and acquiring assets that have world-class facilities in preferred locations to ensure that the tenants associate the PIC with first-class service and superior quality; and

Pioneer the development of quality infrastructure coupled with excellent services for previously neglected markets such as townships and rural areas.

ENVIRONMENT AND SUSTAINABILITY

Upholding the principles of the United Nations Principles of Responsible Investing (UNPRI) as one of the founding signatories and implementing industry accredited practices and standards in managing the portfolio which include Green Building initiatives and Leadership in Energy and Environmental Design (LEED) certifications; and

Emphasis on sustainability and positive performance over the long-term, to ensure significant impact that is aligned to our Clients' mandate.

SOCIAL IMPACT

Creation of employment opportunities in communities through the development of infrastructure whilst ensuring progressive spatial planning and integration;

Ensuring practices of spatial integration according to industry standards by the creation of trade areas and the establishment of ties with the core areas and surrounding communities;

Serving as a catalyst for local economic development in communities by promoting trade facilitation SMME growth; and

Partnering and engaging with communities to build a sense of pride and ownership of assets that are located in their geographical location.

CASE STUDY:

Investment in the Redevelopment of Existing Properties

Unemployment Insurance Fund (UIF) Property Portfolio

The UIF owns properties in the Eastern Cape and Limpopo Province. The first property is situated at the corner of Phalo Avenue and Rharhabe Road in Bisho, Eastern Cape and the second one at the boundary of Thohoyandou central business district, Limpopo. These properties belonged to the then Ciskei and Venda pension fund schemes respectively. The properties were transferred to the UIF following the dissolution of the Transkei, Bophuthatswana, Venda and Ciskei states and their incorporation into South Africa.

The properties were redeveloped to an acceptable aesthetic and regulatory level to improve income-producing abilities and position them as investment properties. The Bisho redevelopment reached practical completion on 31 October 2018 and is fully occupied by the Provincial Department of Public Works. The Thohoyandou redevelopment will be fully occupied by the South African Police Service and the Department of Labour.

Both redevelopments generated local employment opportunities during construction.

Bisho building before redevelopment

Bisho building after redevelopment

CASE STUDY:
Investment in the Redevelopment of Existing Properties

Malvern Heights, Queensburgh, Durban (redevelopment completed)

Malvern Heights is a 136 unit, 18 floor middle-income residential apartment building in Queenburgh, Durban. It is part of a mixed-use precinct that includes Malvern Park Shopping Centre. It is managed through a headlease with a seasoned residential property management company. The PIC acquired Malvern Heights on behalf of the GEPF as part of a portfolio of properties under CBS Property Fund in 2007. The PIC assigned black asset management and development professionals to work with BBBEE consultants to redevelop the building into a secure, modern and convenient family residential development. The vision was to provide improved residential units with beautiful, modern finishes.

Construction work was awarded to a 100% black-owned construction company, with a leading professional team comprising BBBEE-compliant consulting firms overseeing the management of work. The R106 million project was completed in March 2019.

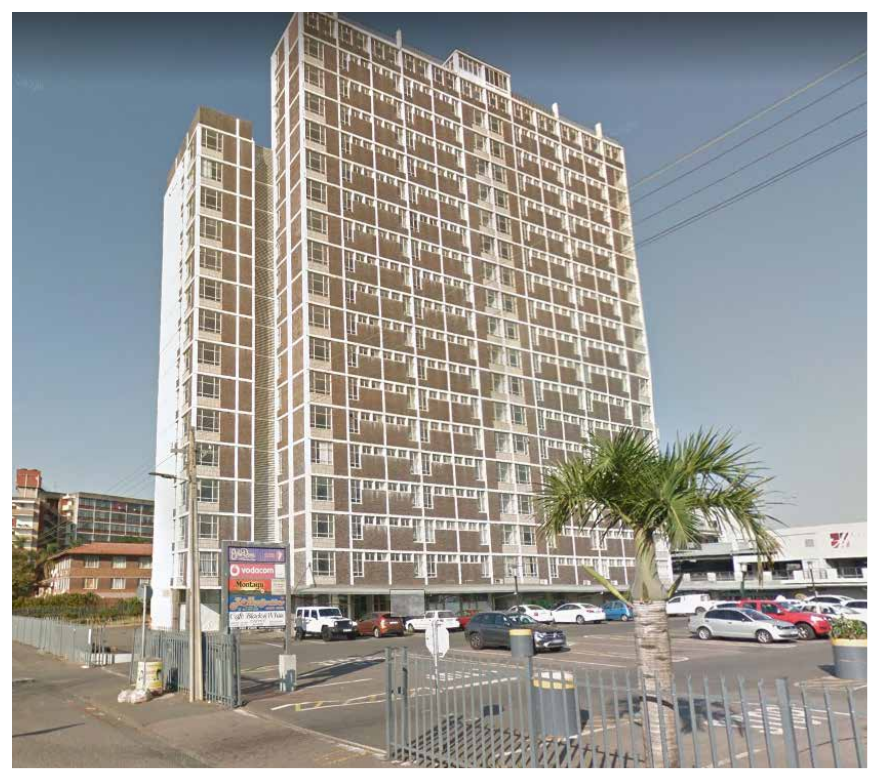
The redevelopment offers 24-hour security, biometric access, modern finishes, pool area, braai facilities, clubhouse, play area and jungle gym.

The work spanned apartment interiors, full electrical and plumbing replacement, interior flooring, and built-in cupboard and full kitchen cabinet upgrades. Exterior work included repainting, waterproofing, passage upgrades, access control, structural repairs and installation of new lifts.

There are 14 one-bedroom, 106 two-bedroom, 14 three-bedroom and two penthouse flats.

Construction work was awarded to a 100% black-owned construction company

Malvern Heights before redevelopment



Malvern Heights after redevelopment

CASE STUDY:
Investment in the Redevelopment of Existing Properties

Jakaranda Shopping Centre, Gezina, Pretoria

Jakaranda Shopping Centre is a Rietfontein-based mixed-use offering with a community retail centre of 18,407m^2 of gross lettable area (GLA) extending over two levels, a standalone service station and 55 To-Let residential apartments above the shopping centre. The PIC, on behalf of the Government Employees Pension Fund (GEPF), acquired Jakaranda as part of a portfolio of properties under CBS Property Fund in 2007.

The centre was built in the early 1970s and last renovated in 2002. It had become dilapidated, necessitating an overhaul to re-establish it as a key destination Centre in the Moot area.

The PIC approved a R358 million towards redevelopment of the Centre. The redevelopment will include an increase to GLA from 18 407m^2 to 20 369m^2, increase to the centre's current parking ratio, upgrade to the apartments, and upgrades to external façade and entrances to improve accessibility.

This innovative redevelopment will transform the Moot area and bring convenience shopping to residence. Some of the tenants include Pick n Pay, Woolworths and Dischem, with Clicks, Mr Price Group, Pepkor Group and other strong brands.

Transformation

The PIC assigned black asset management and development professionals to work with BBBEE consultants to develop a shopping centre concept based on a modern look and feel and an attractive tenant mix. The result was a vibrant, well-integrated mixed-use precinct, including retail, apartments, fitness centre and improved food offering.

The main contractor tender was awarded to a 100% black-owned construction company, reflecting the PIC's commitment to transformation in the built environment. A project steering committee was established with members of the community to ensure local participation in both subcontracting and labour.

Construction is scheduled for completion in September 2020.

The main contractor tender was awarded to a 100% black-owned construction company

Jakaranda Shopping Centre pre-redevelopment

Jakaranda Shopping Centre post-redevelopment

Client Portfolio Performance

GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

Asset Allocation

During the year under review, the GEPF's asset allocation consisted of 57.34% local listed, local unlisted, international and Africa (excluding South Africa) equities; 33.44% bonds, including exposure to local listed, local unlisted and international capital markets; 5.16% listed and unlisted properties; and 4.06% cash and money market portfolios.

Performance

The performance of the GEPF's local listed portfolio over a three-year rolling period has been positive, returning 5.59% against the benchmark return of 5.34%. During the year under review, local listed equities outperformed the benchmark of 0.91%, returning 1.96%. Capital market bonds returned 1.65% against an 0.18% benchmark, a significant outperformance of 1.46%. Money markets returned 8.02% against a benchmark of 7.26%, outperforming the short-term fixed interest (STEFI) Index by 0.71%. In general, the listed properties sector's performance was disappointing, as reflected in the South African Listed Property Index (SAPY). The Fund returned -7.22% against a -5.68% benchmark an underperformance of -1.62%.

12-month Performance

ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
Listed Equity	1.96%	0.91%
Listed Properties	-7.22%	-5.68%
Capital Market	1.65%	0.18%
Money Markets	8.02%	7.26%
Total GEPF Listed	1.80%	1.20%

Africa Equity	9.59%	5.37%
Global Equity	24.55%	23.27%
Global Bonds	26.70%	21.38%

UNEMPLOYMENT INSURANCE FUND (UIF)

Asset Allocation

The UIF's asset allocation consisted of 20.51% local equities, 53.84% bond, 2.70% listed property, 11.05% cash and money market, 3.57% foreign equities, 0.17% unlisted property and 8.16% socially responsible investment (SRI).

Performance

The UIF local listed portfolio's performance over a three-year rolling period was positive, returning 5.27% against a benchmark of 5.21%. During the year under review, this portfolio returned 0.50% against a benchmark return of -0.13%, representing an outperformance of 0.63%. The total bond portfolio far outperformed the -0.82% benchmark return, returning 0.13%. The equities portfolio underperformed the -0.73% benchmark, returning -0.96%.

In general, the listed properties sector's performance was disappointing, as reflected in the South African Listed property Index (SAPY). The Fund returned -6.24% against -5.68% returned by the benchmark, an underperformance of -0.55%. Money markets returned 7.93% versus a benchmark return of 7.26%, outperforming the STEFI Index by 0.66%. Index by global equities returned 23.97% against the benchmark of 23.27%, an outperformance of 0.70%.

12-month Performance

ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
Total Bonds	0.13%	-0.82%
Equity	-0.96%	-0.73%
Listed Properties	-6.24%	-5.68%
Money Market	7.93%	7.26%
Total Fund	0.50%	-0.13%

Global Equity	23.97%	23.27%

COMPENSATION COMMISSIONER FUND (CC)

Asset Allocation

The asset allocation for the CC portfolio consisted of 31.67% nominal bonds, 31.41% inflation-linked bonds, 8.49% cash and money market, 23.80% equities, 4.42% SRI and 0.20% unlisted properties.

Performance

The Fund returned 7.57% over a three-year rolling period against a benchmark return of 6.72% an outperformance of 0.85%. The financial year under review saw the Fund's total performance, excluding SRI, at 1.25% against the benchmark of 0.90% a 0.35% outperformance. The capital market portfolio, comprising conventional and inflation-linked bonds, returned 0.33% against a benchmark of 0.15%. The money market portfolio returned 7.77% against the 7.26% benchmark. Listed equities, on the other hand, returned 0.78% against a benchmark of 0.43%.

12-month Performance

ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
Capital Market	0.33%	0.15%
Equity	0.78%	0.43%
Money Market	7.77%	7.26%
Total Listed	1.25%	0.90%

COMPENSATION COMMISSIONER PENSION FUND (CP)

Asset Allocation

The CP asset allocation consisted of 30% nominal bonds, 27% inflation-linked bonds, 24% equities and 19% cash and money market portfolios.

Performance

The CP portfolio outperformed the benchmark over a three-year rolling period, returning 6.16% against the benchmark return of 5.71%. In the financial year under review, the Fund returned 1.97% against an 0.77% benchmark. The bond portfolio made up of conventional bonds and inflation-linked bonds, outperformed the benchmark of 0.15%, returning 0.60%. Local listed equities also outperformed the benchmark, returning 0.64% against the 0.43% benchmark, while the money market portfolio returned 7.67%, compared to 7.26%.

12-month Performance

ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
Total Bonds	0.60%	0.15%
Equity	0.64%	0.43%
Money Market	7.67%	7.26%
Total Fund	1.97%	0.77%

ASSOCIATED INSTITUTION PENSION FUND (AIPF)

Asset Allocation

The AIPF portfolio comprises capital market or bonds at 74% and cash and money market at 26%.

Performance

The AIPF outperformed the benchmark, returning 9.79% against 9.50% over a three-year rolling period. During the year under review, the Fund outperformed the 4.44% benchmark by 0.84%, ending at 5.28%. The capital market or bonds returned 4.03% against 3.46%. The money market portfolio returned 7.87%, outperforming the 7.26% benchmark.

12-month Performance

ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
Capital Market	4.03%	3.46%
Money Market	7.87%	7.26%
Total Fund	5.28%	4.44%

Creation of Social Returns: Social Impact of Unlisted Investments

The PIC Investment thesis is underpinned by an unwavering commitment to apply Environmental, Social and Governance (ESG) factors when investing. This is demonstrated by PIC's signing up to the United Nations Principles of Responsible Investing (PRI), the United Nations Global Compact (UNGC), Code for Responsible Investing SA (CRISA), and Sustainable Development Goals (SDGs).

As part of a growing best practice drive to relate ESG management to the financial performance and growth of investor and investee companies, the PIC has embedded ESG in its investment processes to monitor, measure and report on the impact of its ESG activities.

The PIC further supports the country's developmental agenda by embracing transformation as an investment driver. As a result, the PIC requires that investments fulfil this mandate to drive the transformational strategy through the Broad-Based Black Economic Amendment Act No 46 of 2013.

In complying with Principles 2 and 6 of the PRI: *'we will be active owners and incorporate ESG issues into our ownership policies and practices'* and *'we will each report on our activities and progress towards implementing the principles'*. This report discloses our active ownership activities through engagements held with investee companies.

ENGAGEMENTS

FOR THE PERIOD:
1 APRIL 2017 – 31 MARCH 2018
57 COMPANIES ENGAGED

FOR THE PERIOD:
1 APRIL 2018 – 31 MARCH 2019
70 COMPANIES ENGAGED

What is the purpose of the engagement meetings?

- To inform investee companies of the PIC's voting decisions and voting guidelines;
- Enhance our research and clarify public information;
- Develop insights into investment and growth opportunities;
- Understand performance against company-specific metrics;
- Identify potential vulnerabilities in a business model and operations;
- Identify potential regulatory developments and impacts; and
- Understand how companies mitigate risks or leverage opportunities.

How do we engage?

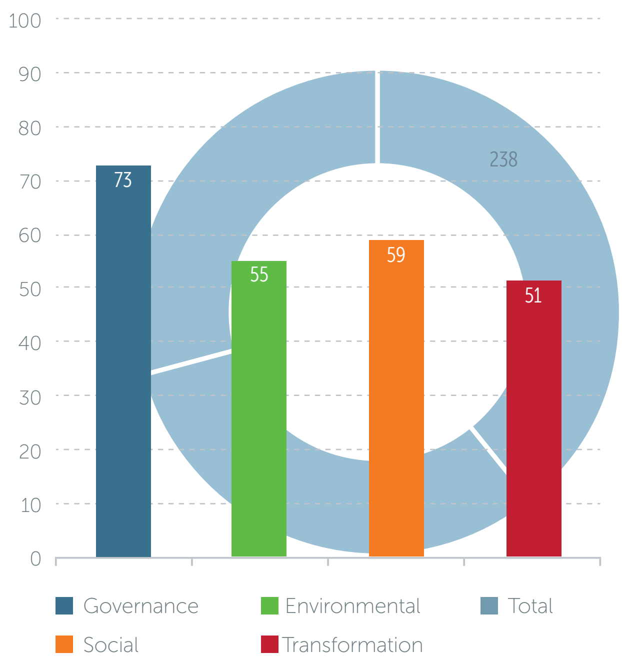
The PIC mechanisms for engagement with company representatives vary, but typically involve some of the following:

- One-on-one meetings with company representatives (e.g. members of the Board, senior executives, investor relations, managers of specialist areas such as sustainability or environment);
- Various correspondence methods (e.g. emails, letters, phone calls);
- Discussions with company advisers and stakeholders; and
- Voting.

Engagement by Pillars

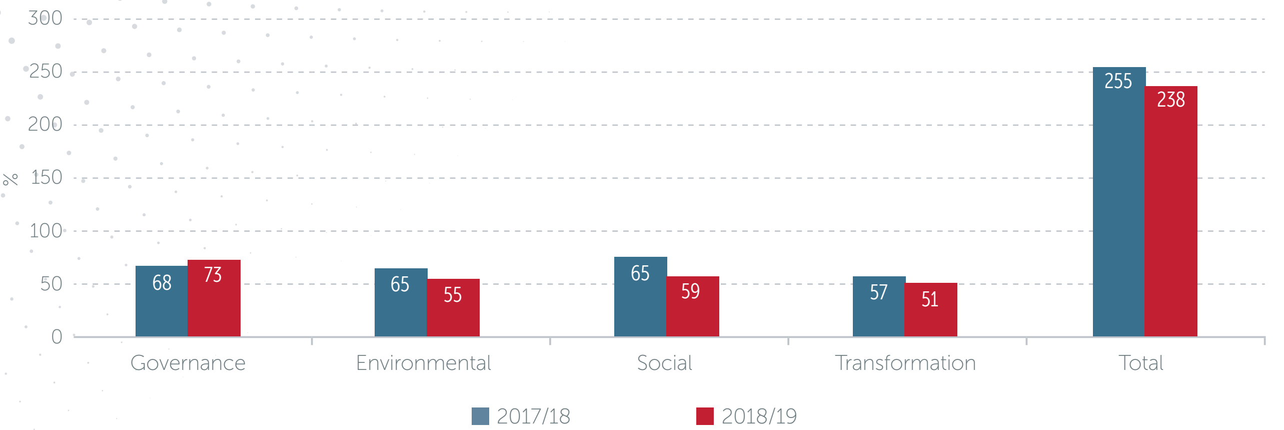
For the year to 31 March 2019, the team engaged with investee companies on 238 ESG matters, of which were governance related of 31% of total engagements. This is followed by social at 25% and environmental at 23%, with discussions on required transformation accounting for 21%.

ESG engagement matters with investee companies



The graphs below compare the team engagements for 2017/18 and 2018/19.

Breakdown of engagement by pillar

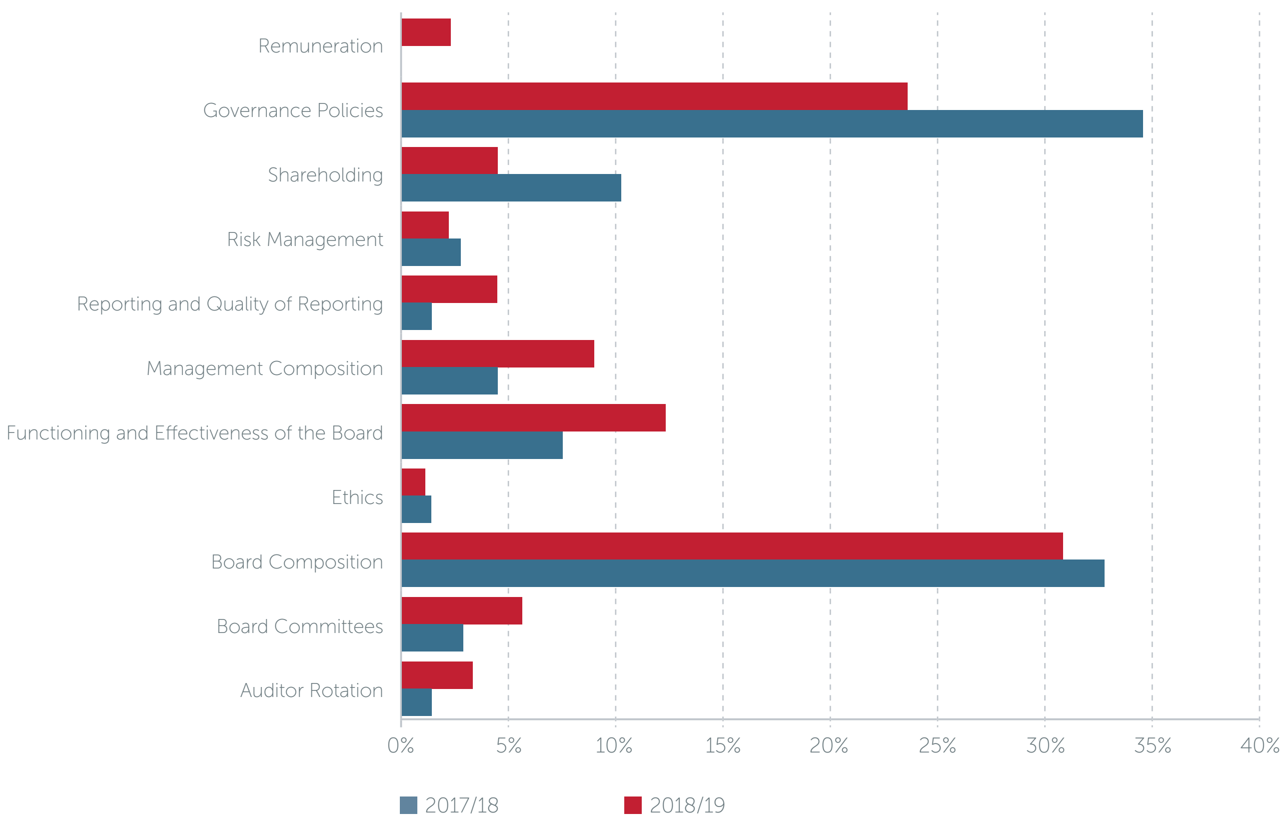


ENGAGEMENT ISSUES

Governance

The ESG team participated in various meetings held with the management teams of investee companies. The most common governance engagement themes were:

Governance engagements



GOVERNANCE ENGAGEMENTS

BOARD COMPOSITION AND EFFECTIVENESS

- Board independence
- Gender and racial composition of the board
- Establishment of the statutory committees i.e. Audit; and Social and Ethics with Terms of Reference
- Over-boarding and meeting attendance

GOVERNANCE FRAMEWORK

Ensure investee companies develop governance frameworks and policies aligned to sound governance principles as outlined in the Companies Act and/or King IV. As demonstrated in the above figure, this is the second most dominant theme during engagements

MANAGEMENT COMPOSITION

- Gender and racial diversity
- Succession planning

AUDITOR ROTATION

- Discussion with investee companies on the need to rotate auditors every 10 years in line with PIC policy
- Recommendation to increase the number of black audit firms when an opportunity arises, i.e. when rotation is imminent and when audit partners are selected

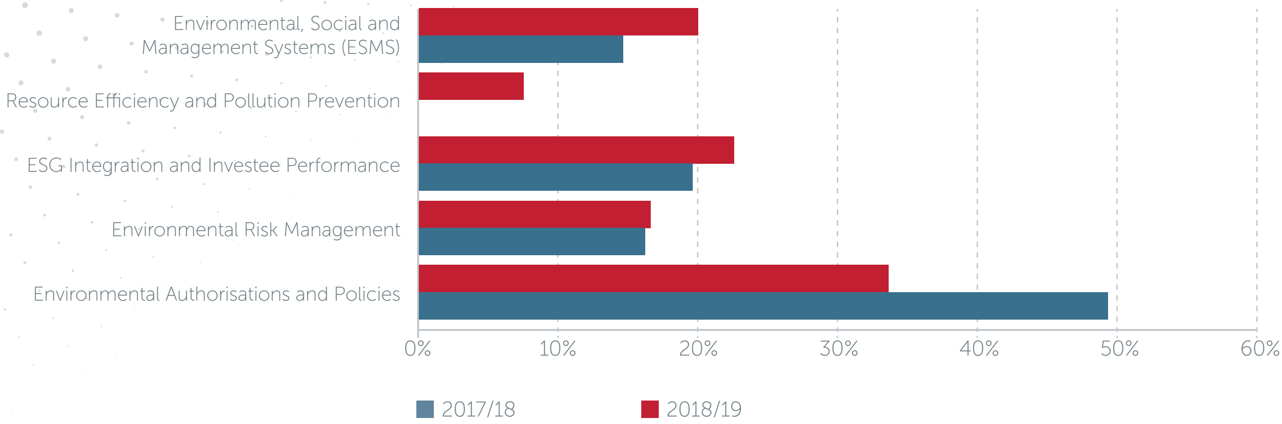
RISK MANAGEMENT

- The board is expected to play an oversight role and ensure that the anticipated risks are identified and monitored regularly
- Investee companies are expected to demonstrate their understanding of and develop mitigation strategies for inherent and residual risks

Environmental

The most common environmental engagements are illustrated in the graph below.

Environmental engagements by topics



ENVIRONMENTAL ENGAGEMENTS

ENVIRONMENTAL AUTHORISATIONS AND POLICIES

Investee companies are engaged in compliance with regulatory permits provided by authorities. Environmental audits conducted by companies are discussed to ensure audit findings are addressed

Environmental policy development and implementation are monitored to ensure management of resources, efficiency, biodiversity and pollution

ENVIRONMENTAL FRAMEWORK

Investee companies with significant impact on the environment are encouraged to have an adequate environmental management framework aligned to the National Environmental Management Act, (NEMA, Act No. 107 of 1998) and other relevant legislation

ENVIRONMENTAL RISK MANAGEMENT

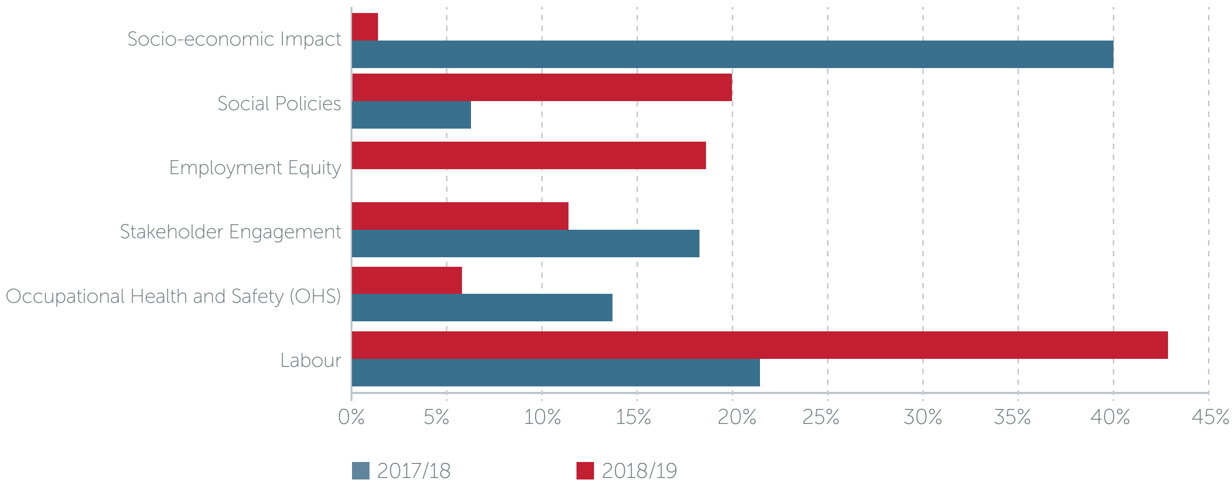
Environmental risk management is encouraged within all investee companies, particularly those whose operations pose either negative or detrimental risks and have a material impact on the natural environment

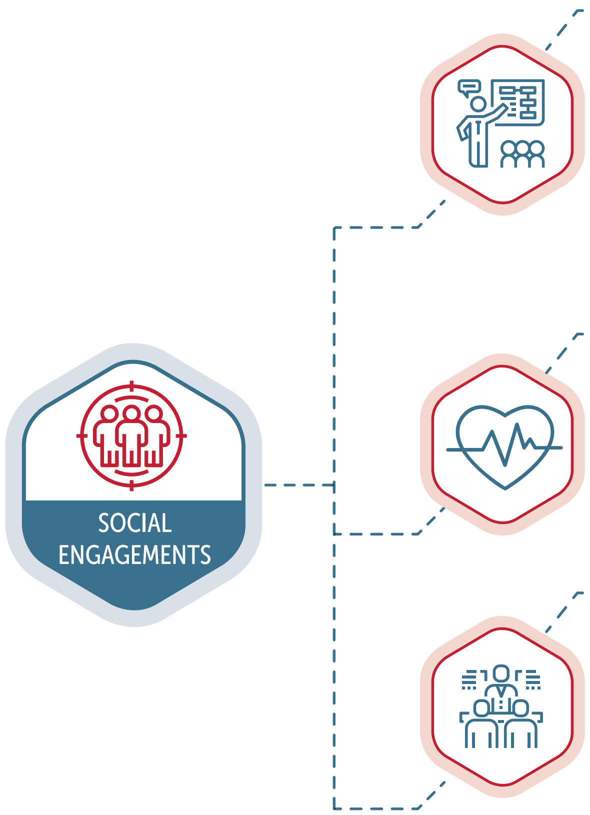
Investee companies are encouraged to develop impact registers and risk registers linked to risk mitigation strategies

Social

The most common social engagements are illustrated in the graph below.

Social engagements by topic





LABOUR

Engagements in this area included the requirement for basic conditions of employment to be adequately explained to employees of investee companies

Issues of fair remuneration (minimum wages) and non-discrimination were workshopped, particularly where weaknesses were identified

OCCUPATIONAL HEALTH AND SAFETY

The health and wellness of employees are linked to company performance. Investee companies are occasionally engaged on the need to provide safe environments for employees and the communities within which they operate

STAKEHOLDER ENGAGEMENT

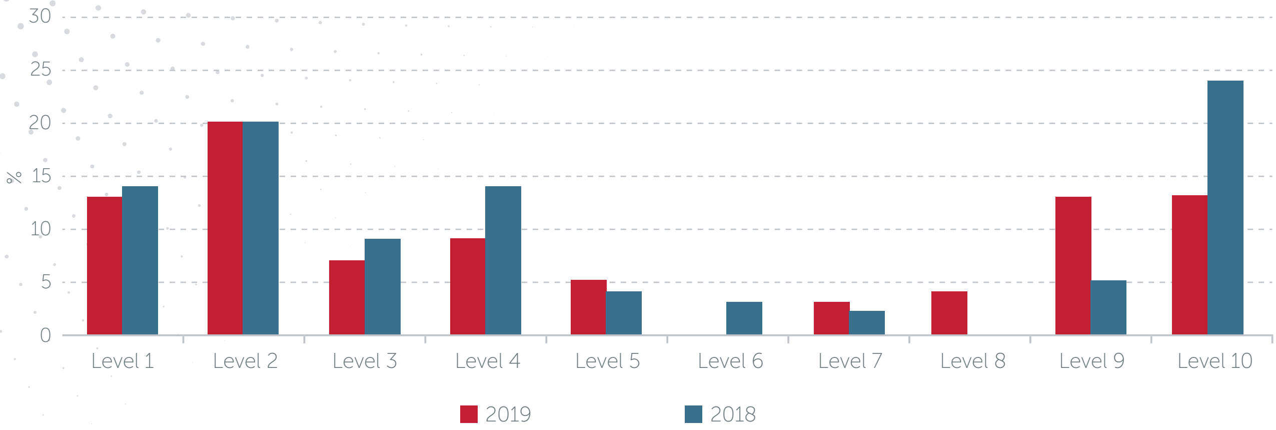
Companies that have grasped the importance of actively developing and sustaining relationships with affected communities and other stakeholders throughout the life of their project, and not simply during the initial feasibility and assessment phase, achieve improved stakeholder engagement and better outcomes

The PIC advocates a holistic stakeholder approach

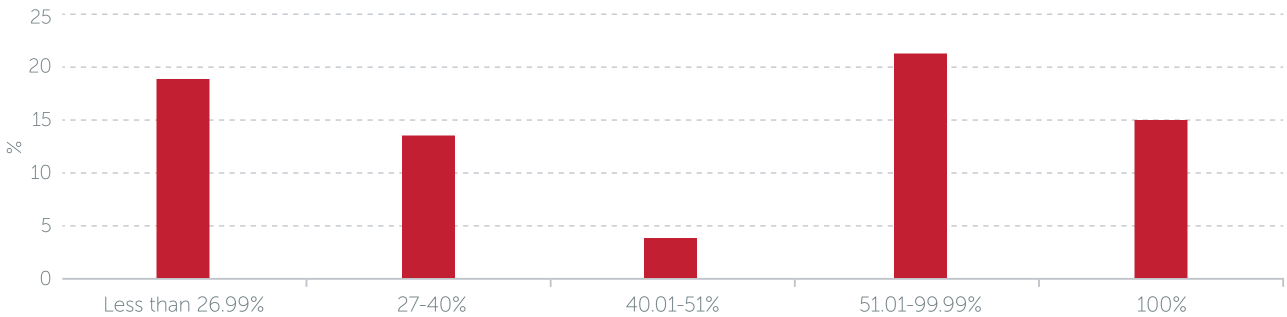
To achieve the best results, the PIC encourages companies to have formally documented policies to identify and manage all stakeholders, thus ensuring business health

Transformation Engagements of Investee Companies

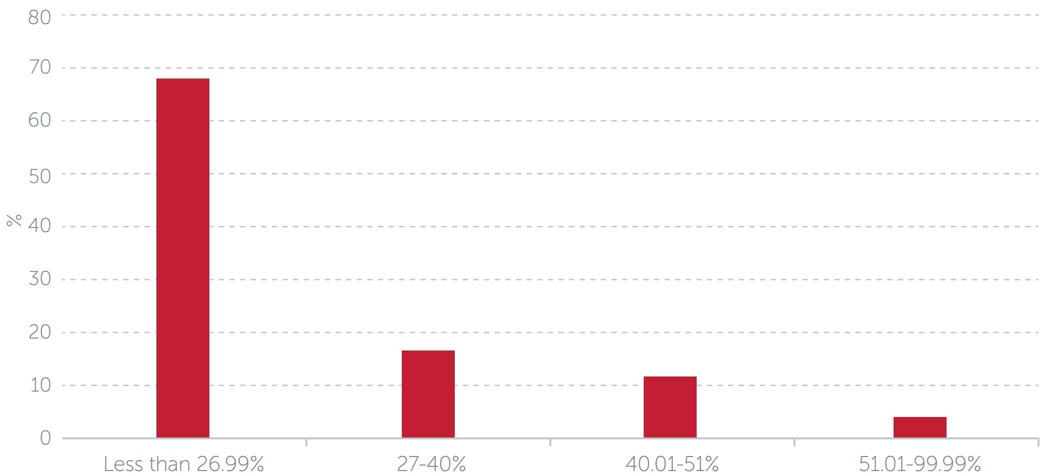
BEE Black Contributor Level



BEE Ownership of portfolio investee companies

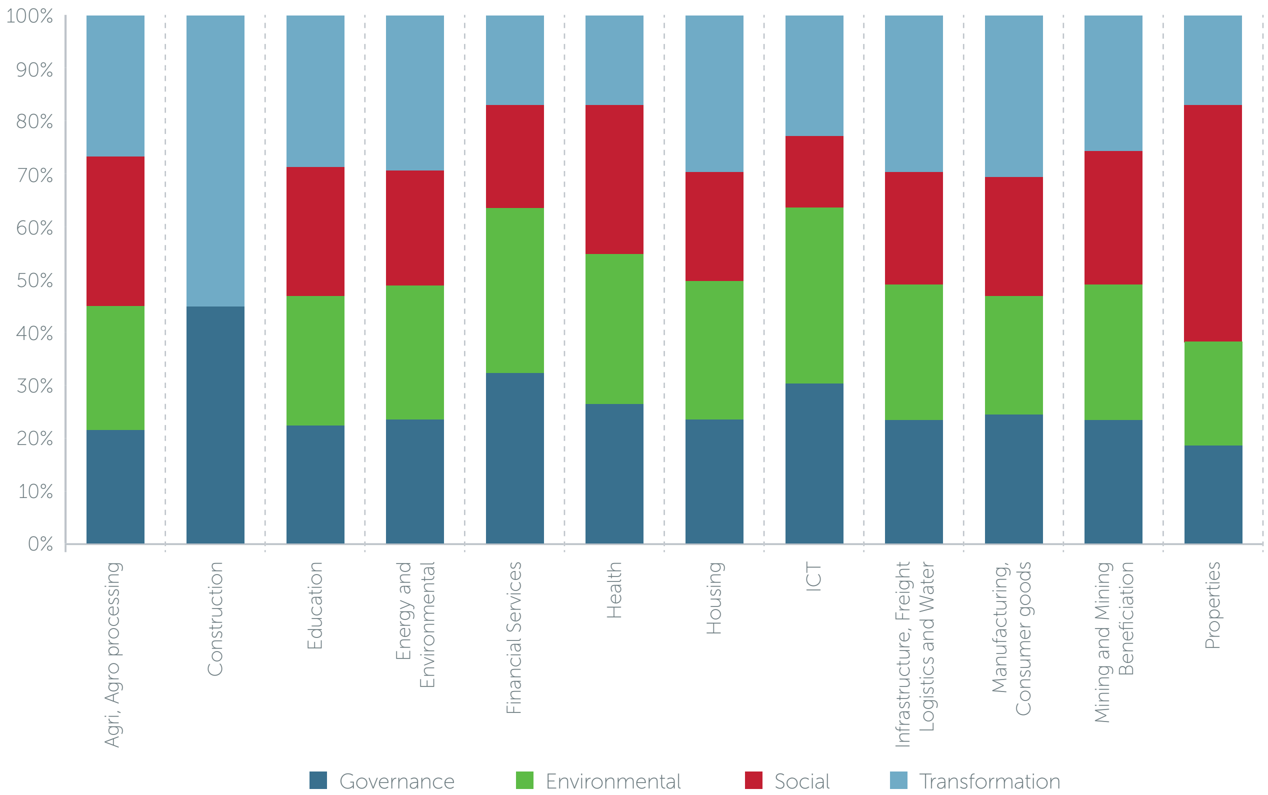


BEE Woman Ownership of portfolio investee companies

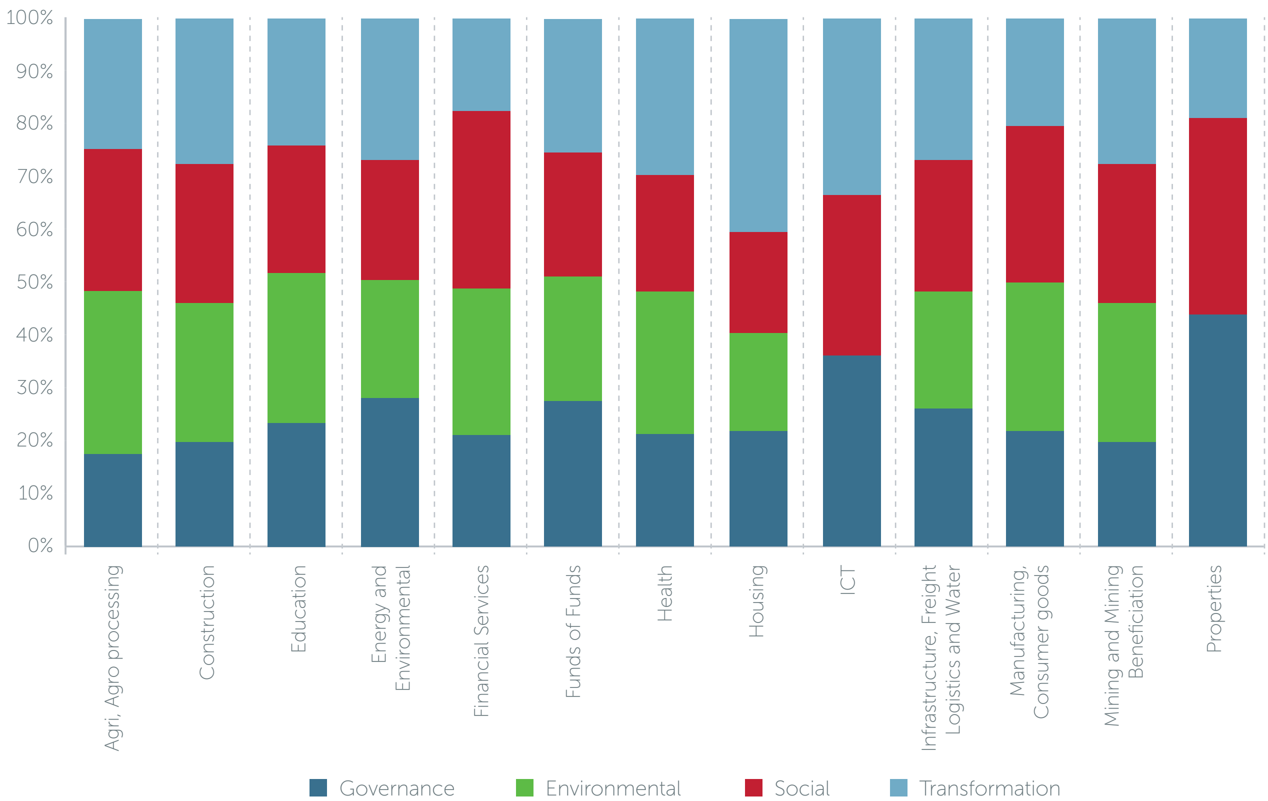


Engagements by Sector

Sector engagements 2017/18

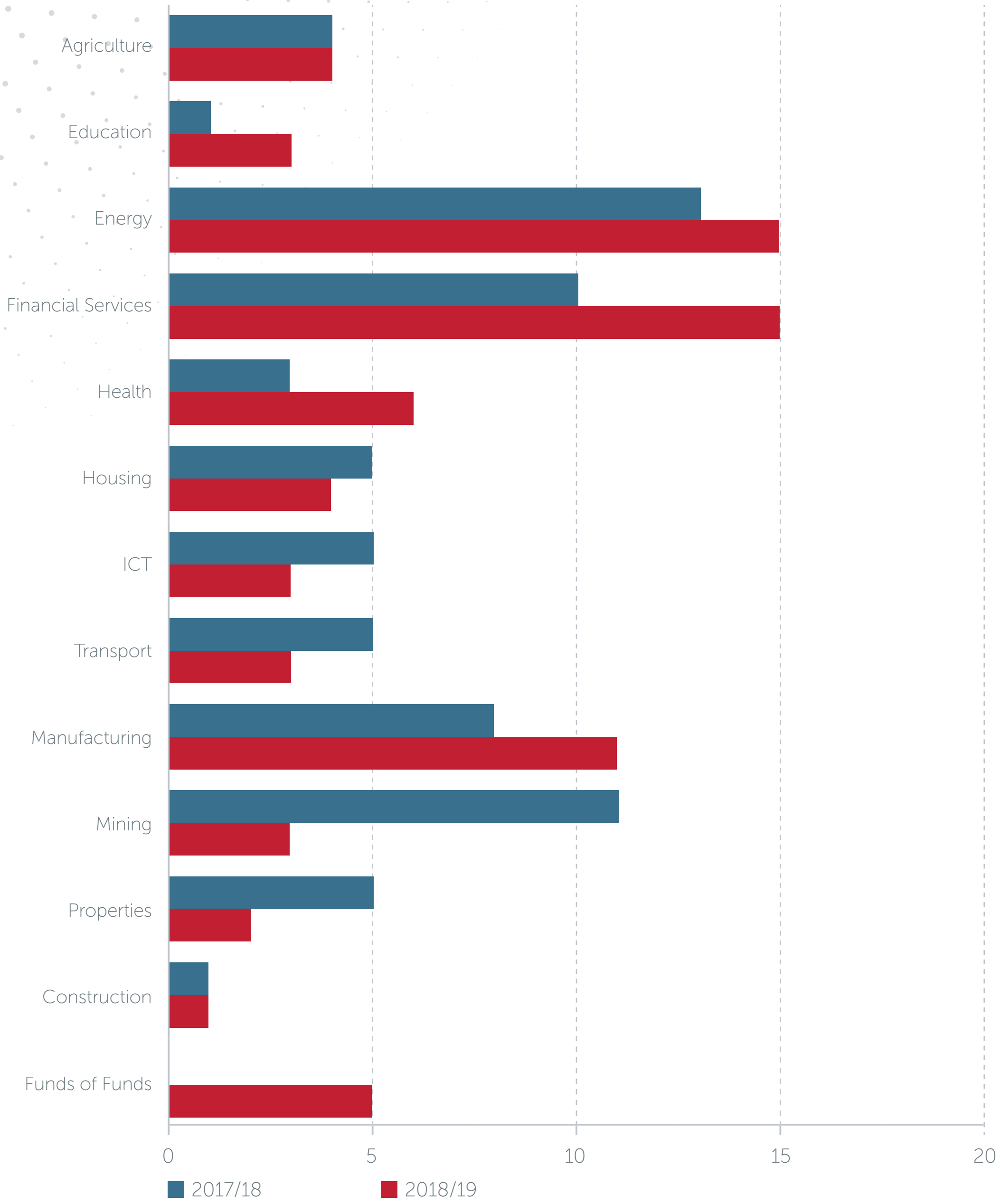


Sector engagements 2018/19



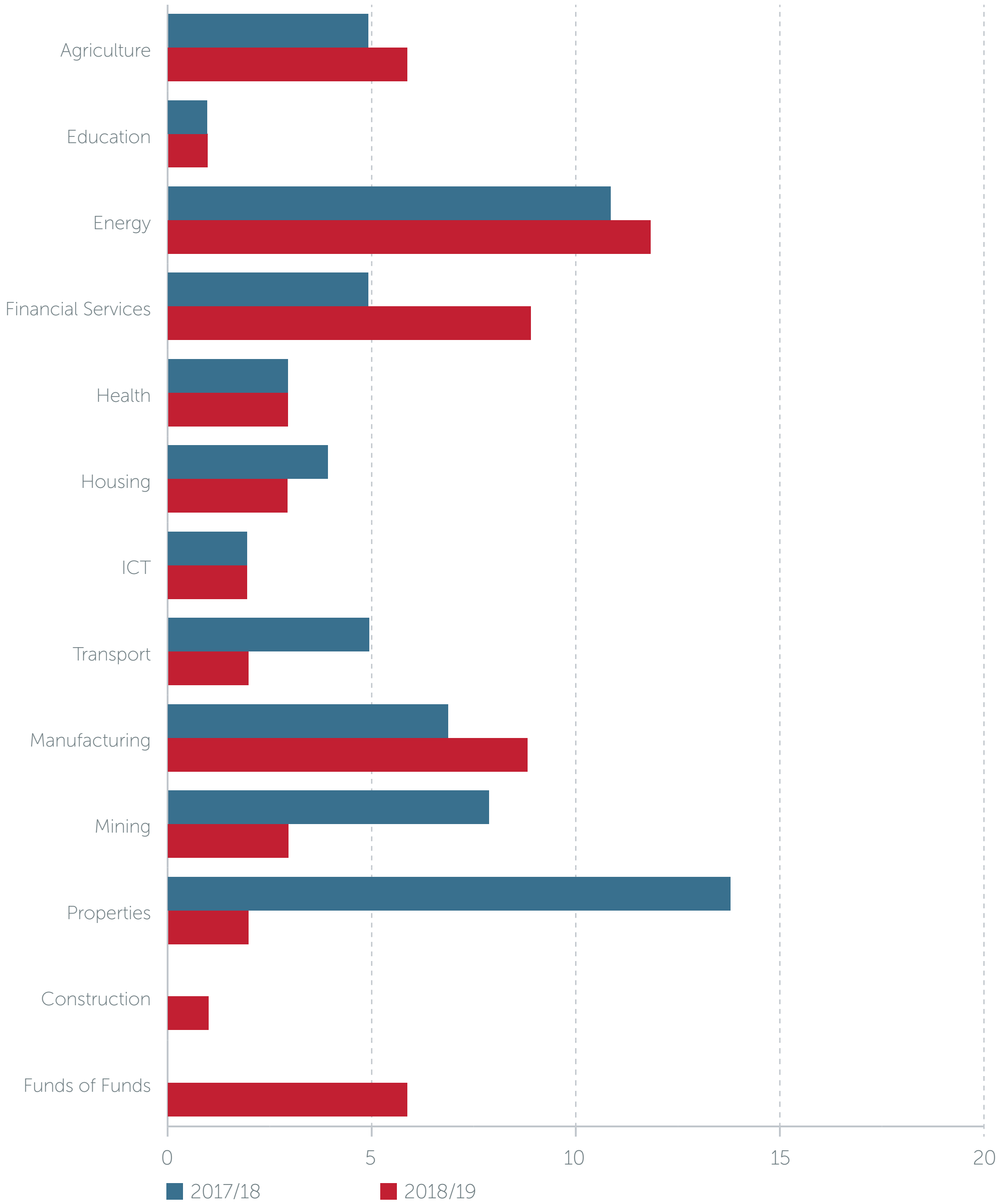
Governance

Governance engagements by sector



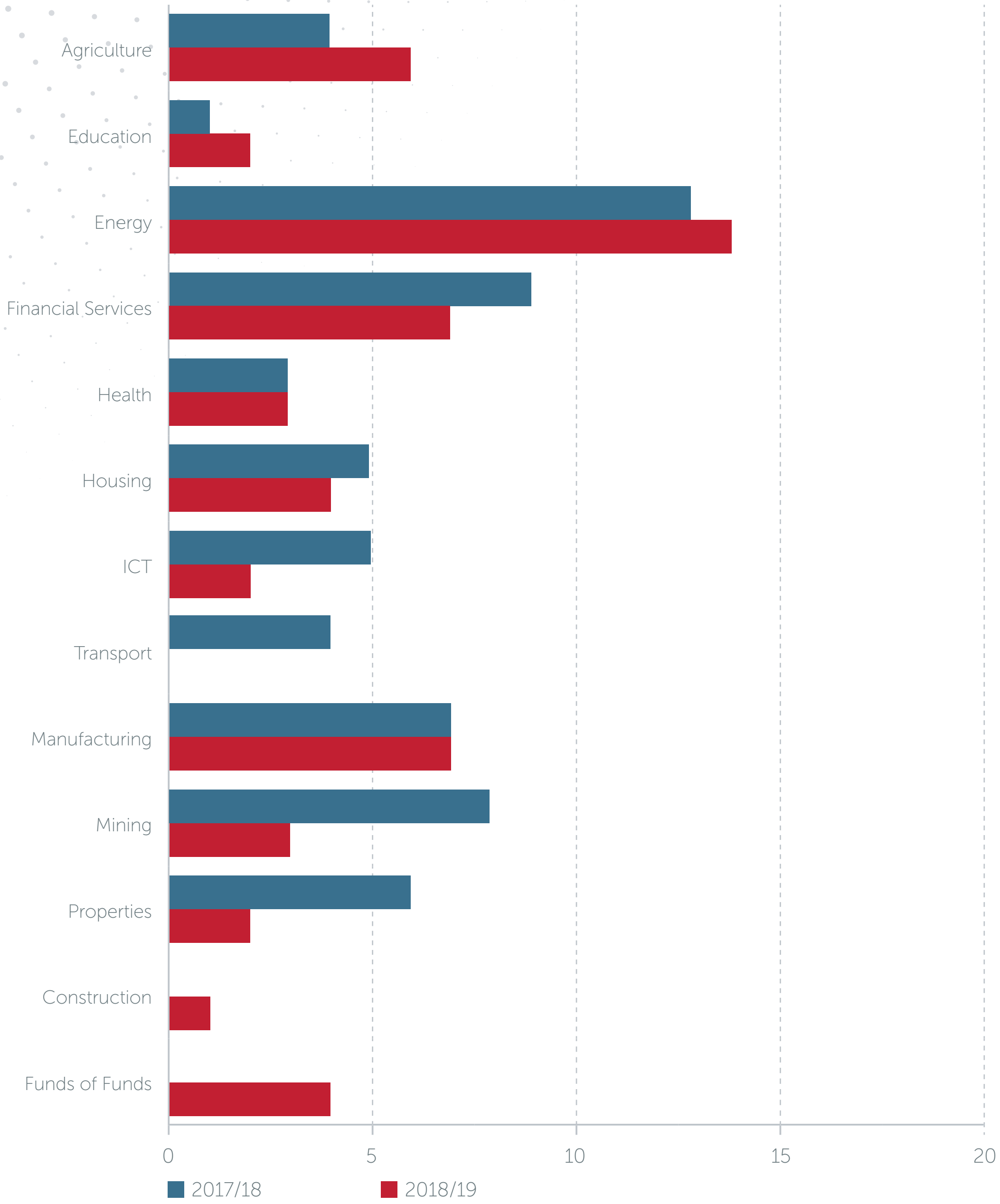
Social

Social engagements by sector



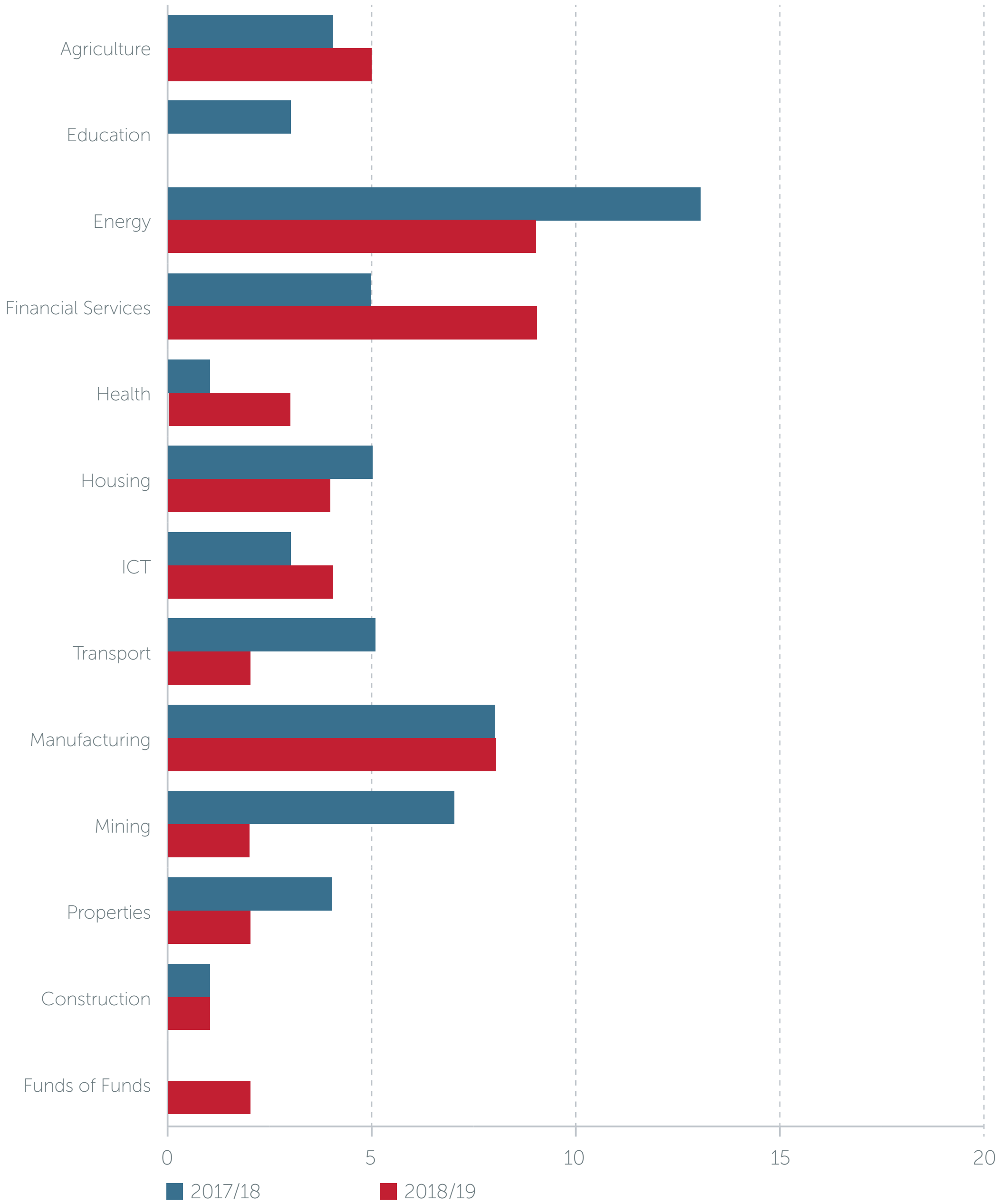
Environment

Environmental engagements by sector



Transformation

Transformation engagements by sector



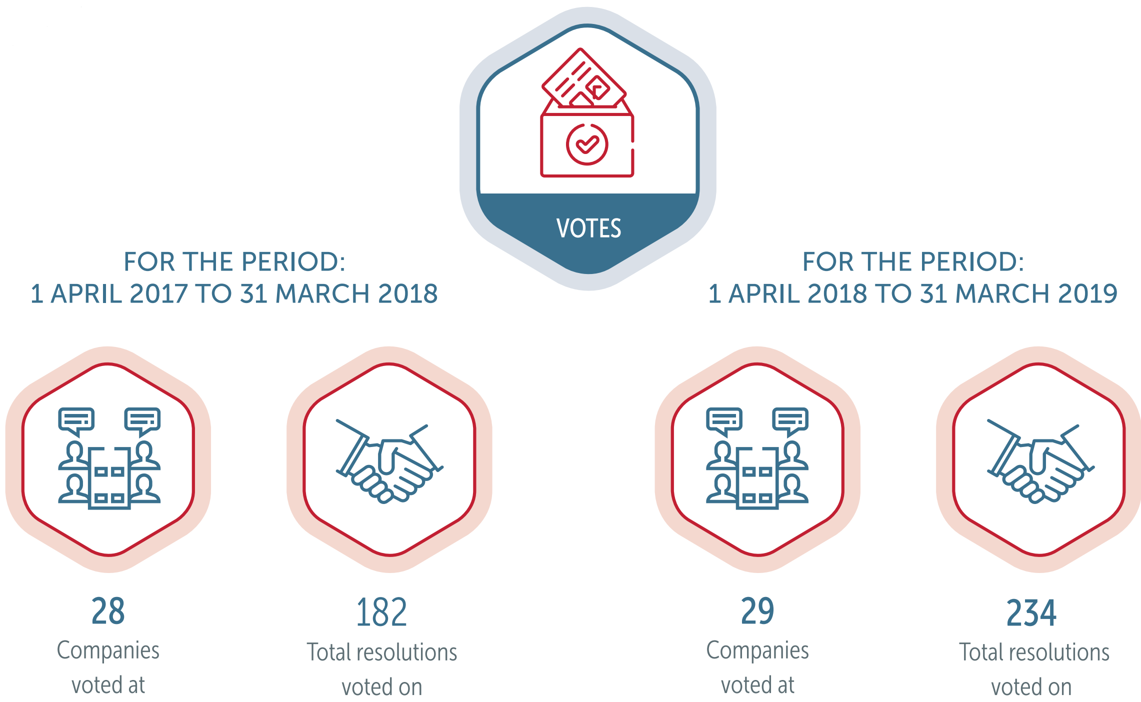
UNLISTED INVESTMENTS PROXY VOTING

Voting Record: 1 April 2018 to 31 March 2019

The PIC has a well-established approach to responsible investing, which is integrated with its investment process. Responsible investing activities at PIC include:

- Exercising voting rights;
- Engaging with investee companies;
- Conducting ESG quality reviews; and
- Influencing the ESG landscape through shareholder activism.

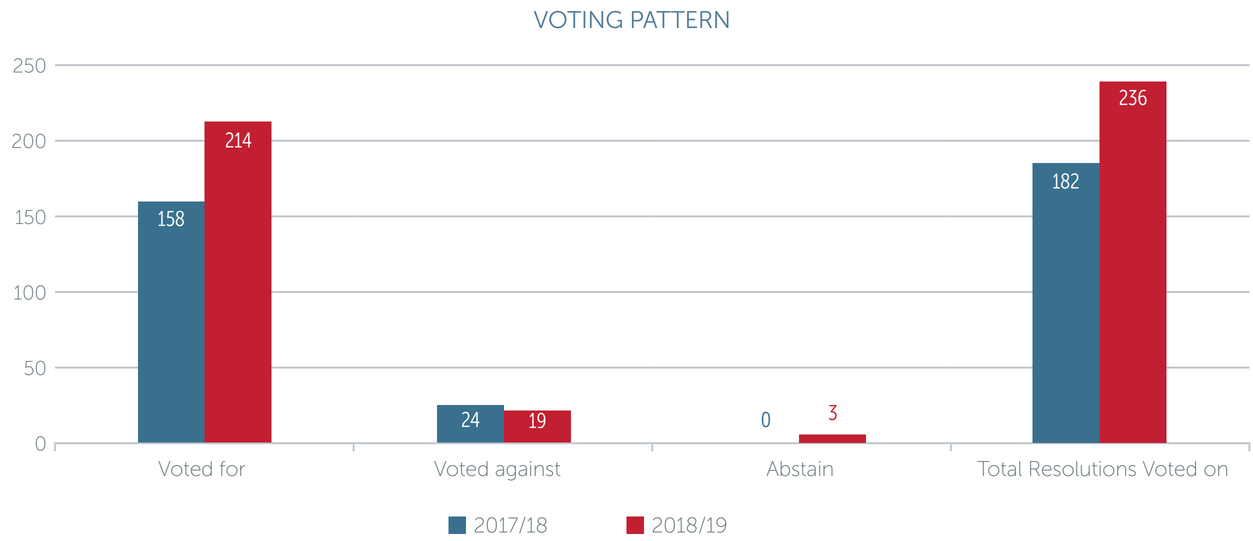
The PIC seeks to support and enhance its investment rationale for a company through appropriate engagement and subsequent exercising of voting rights. The PIC votes at all company meetings.



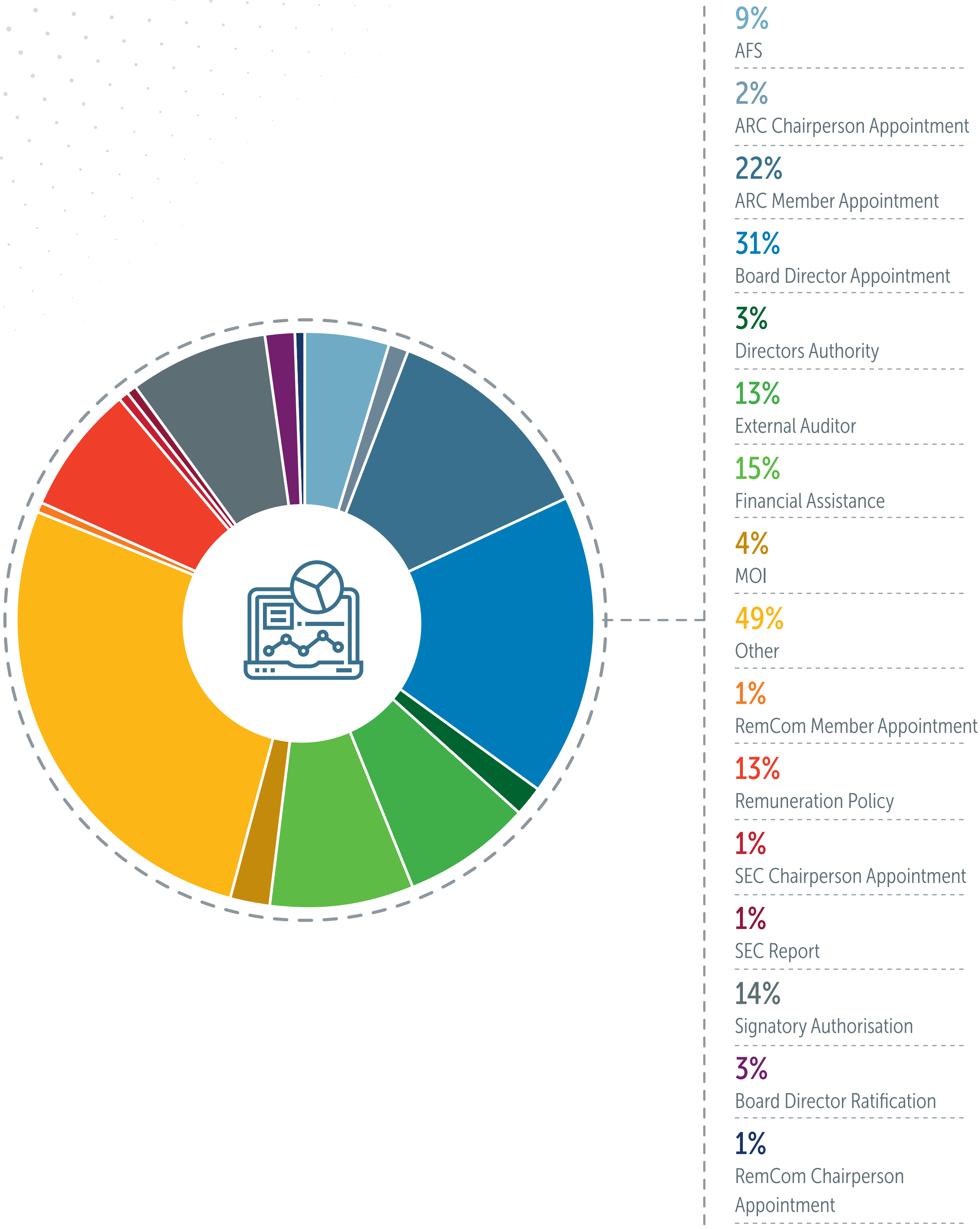
The graphs below are an illustration of proxy voting from 1 April 2018 to 31 March 2019, when the PIC exercised voting rights on behalf of the clients. The graphs show the voting patterns for the reporting period compared to those of the previous year, analysing votes by sector, company and patterns.

During the 2018 financial year, the PIC voted on 182 shareholder resolutions, 86.8% for and 13.2% against. In the 2019 financial year, the PIC voted on 234 shareholder resolutions, 91% for, 7.7% against and 1.3% abstentions. The number of resolutions voted on increased, but the number of resolutions voted against decreased.

Analysis of total voting pattern for 2017/18 vs 2018/19



Analysis of total voting pattern per theme for 2017/18



Analysis of total voting pattern per theme for 2018/19

2%
AFS

22%
ARC Chairperson Appointment

31%
ARC Member Appointment

3%
Board Director Appointment

13%
Directors Authority

15%
External Auditor

4%
Financial Assistance

49%
MOI

1%
Other

13%
RemCom Member Appointment

1%
Remuneration Policy

1%
SEC Chairperson Appointment

0%
SEC Report

0%
Signatory Authorisation

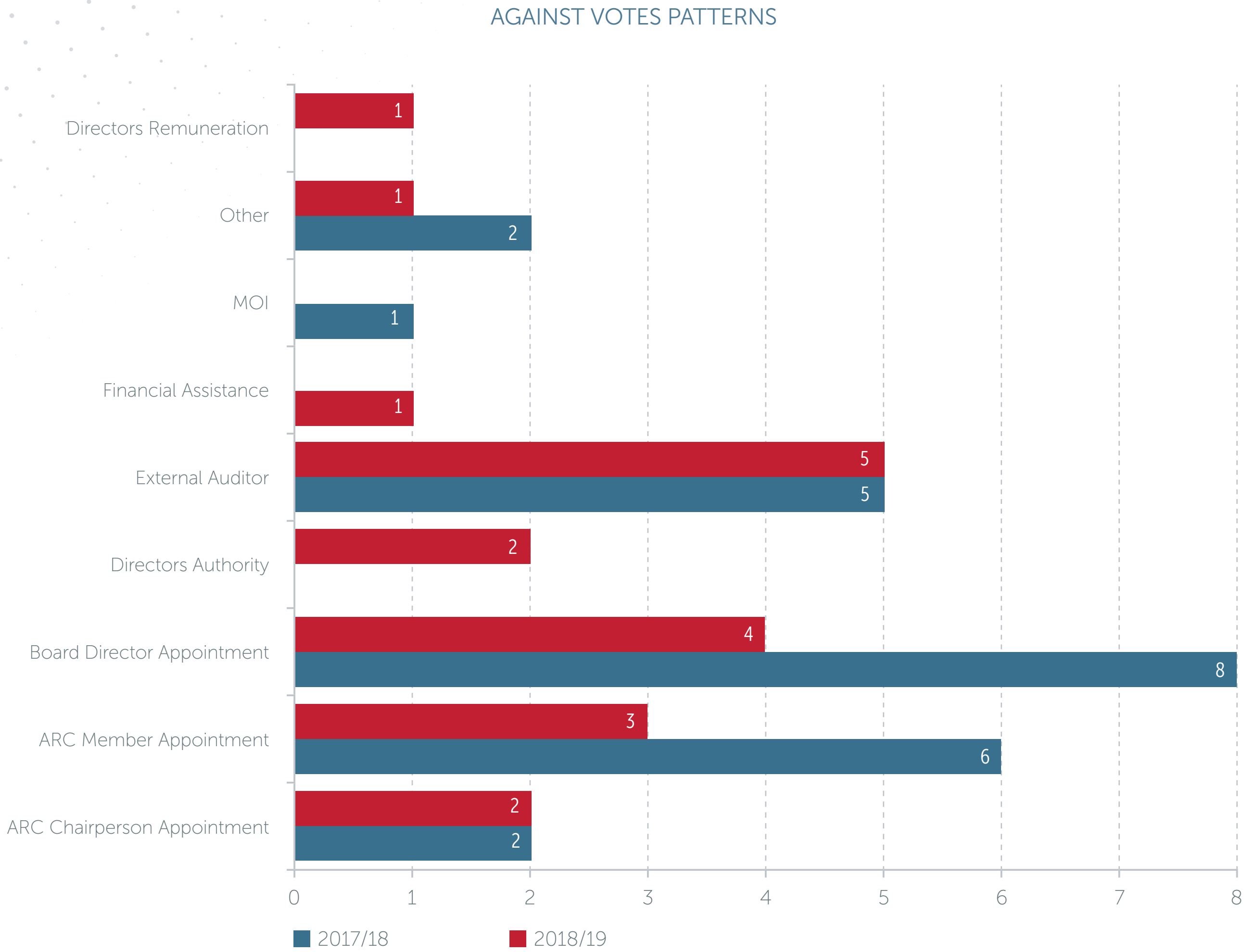
0%
Board Director Ratification

0%
RemCom Chairperson Appointment

Against Votes Decomposition

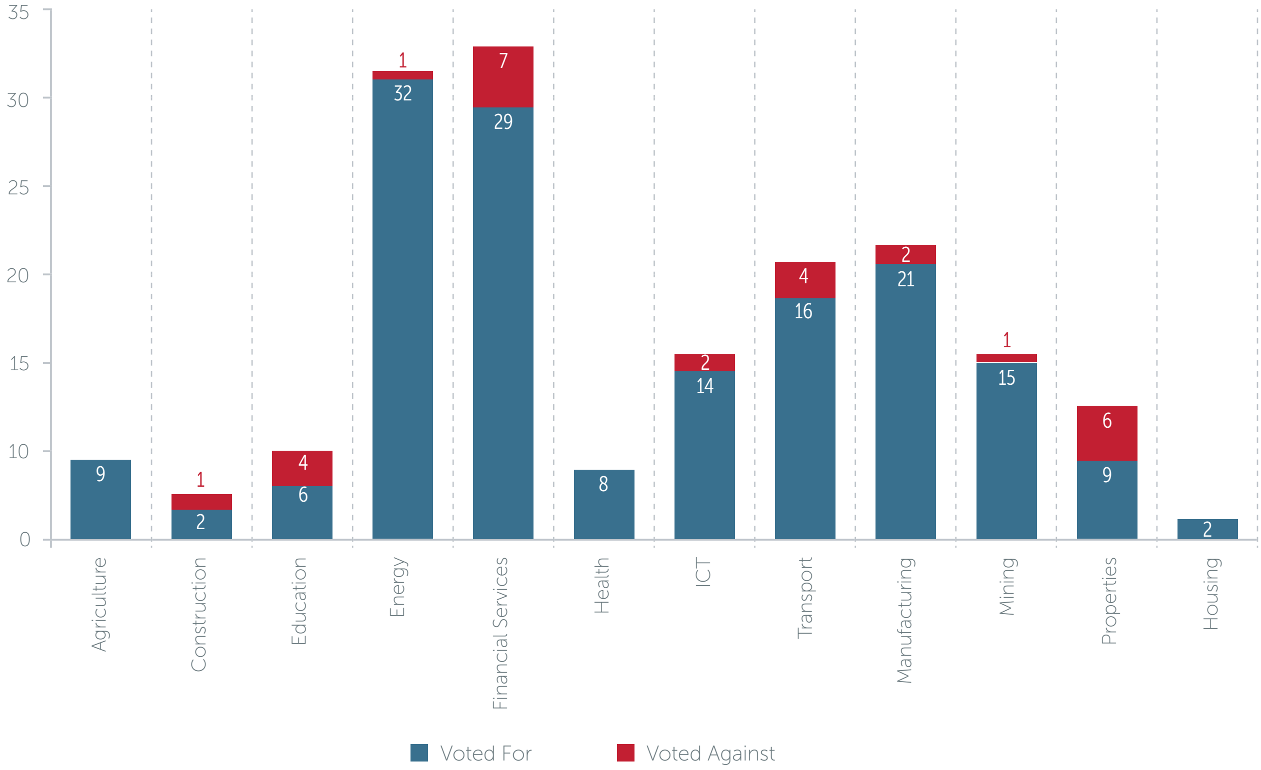
The figure below reflects shareholder resolutions voted against for the 2018 financial year, compared to 2019. The "Against" votes encompass governance aspects that deal with reappointment of External Auditors, directors' appointments, the appointment of the chairperson and members for the Audit and Risk Committee and directors' remuneration. There was a 66.6% decline in the "Against" votes in the 2019 financial year compared to the previous year.

Analysis of reasons against votes

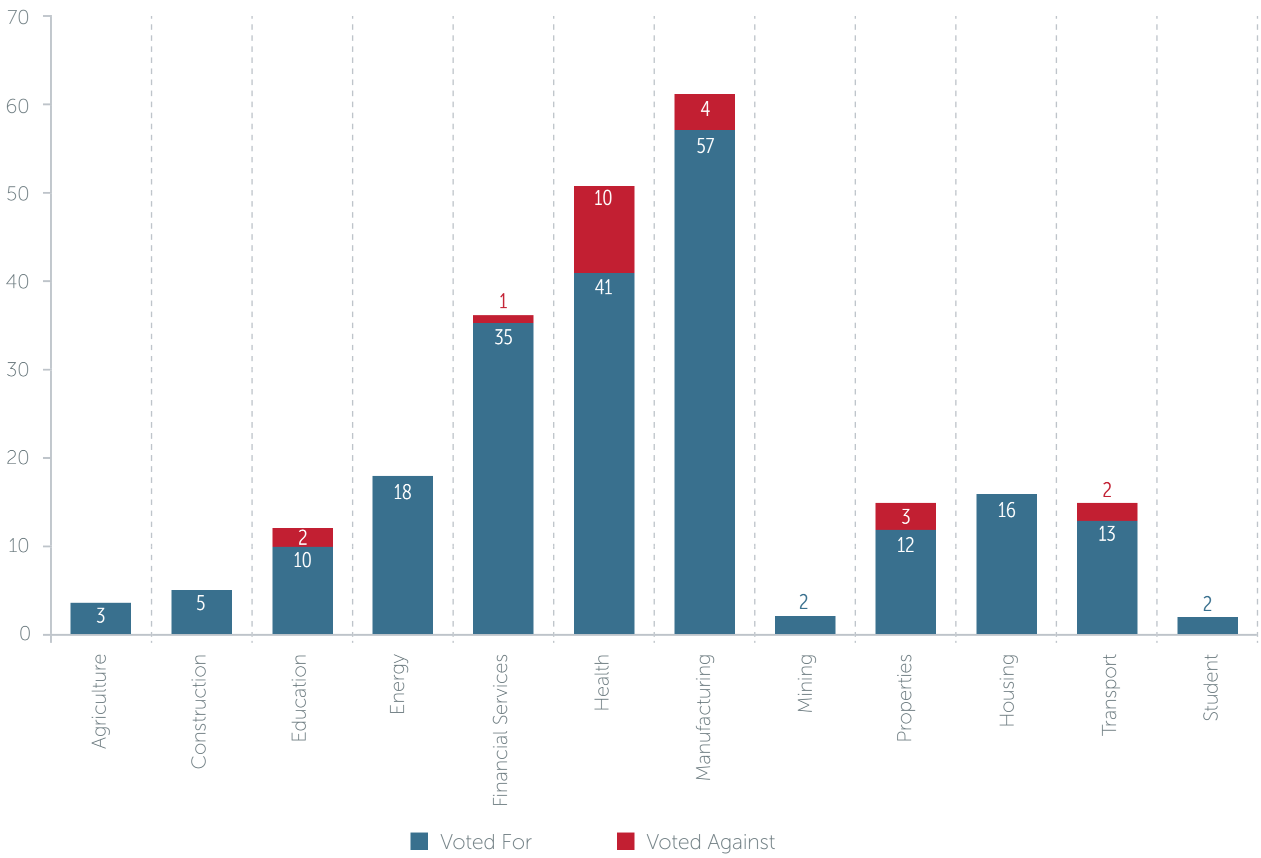


Voting Summary per Sector

Total voting summary per sector 2017/18



Total voting summary per sector 2018/19



Social Impact

For the 12 months ending 31 March 2019

SOCIAL IMPACT

EMPLOYMENT

138,316
TOTAL JOB NUMBERS

54,717
Total number of permanent employment opportunities sustained

16,870
Total number of temporary employment opportunities created

66,729
Undisclosed

GENDER

36,314
Total Number of Female

61,387
Total Number of Male

40,615
Undisclosed Gender

OTHERS

20,339
Number of Youth
(Included under total job numbers)

403
Number of people living with disability
(Included under total job numbers)

8,323
Total number of new jobs
(Included under total job numbers)

8,844
Total number of job loss

HEALTHCARE: DIRECT

24
Total number of hospital projects

2,097
Total number of beds available in hospital projects

ENVIRONMENTAL

16
Total number of projects funded

2,420
Total number of megawatts (MW)

+R14 542 428,20
Enterprise Supply Development (ESD) spend

+R47 363 095,69
Corporate Social Investment (CSI) spent

HOUSING

105
Number of housing projects

64,935
Number of houses constructed

PROPERTIES

11
Total number of Properties – Indirectly-Held

24,749
Indirect jobs reported

2,591
Number of SME's (already counted under SME's)

+R1 085 636 982,68
Total number spent on SME's

2,357
Number for properties leased to Black Owners

2,642
Number of people trained – Skill Development

+R 32 101 389,68
Total amount spent on CSI

AGRICULTURE

41
Number of Farms

- 8
  Stock Farming
- 33
  Crop Farming

137
Number of emerging farmers supported

750
Number of farm workers who have access to health care facilities

1,542
Number of farm workers who have access to education - farm workers and their children

COMMUNITY UPLIFTMENT AND ECONOMIC BENEFIT

3,353
SME supported through ESD (Include Properties)

15
Number of Community Trust and Employee Share Schemes established and supported

307
Total number of SME's funded was allocated to empowered companies

- 118
  Number of female-owned SME funded
- 15
  Number of black youth-owned SME funded
- 73
  Number of black-owned SME funded

EDUCATION

48,663
Student Loans

- 44,459
  Total number of student finance
- R547,000,000
  Total amount disbursed

18
Number of schools supported through Education Focus Fund

18,600
Number of students (Basic education)

11,964
Student Accommodation: Total number of student beds

PART 04

ENABLERS OF SUSTAINABLE RETURNS

CONTENTS

Human Resources and Remuneration Report

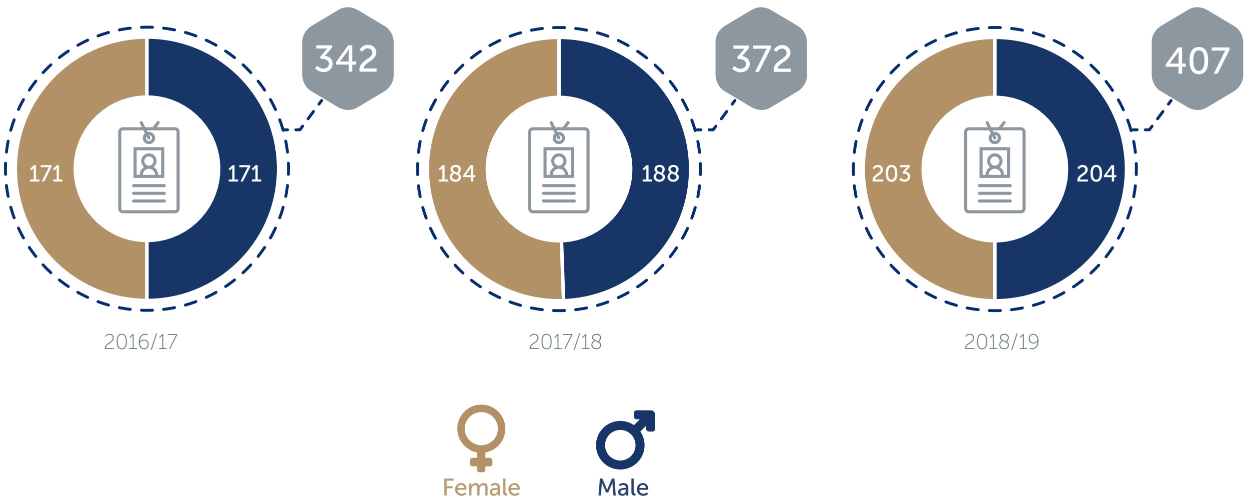
OVERVIEW

The achievement of the PIC's objectives to ensure optimal business performance is dependent on, among others, the management of its human capital. The organisation recognises that people are an increasingly valuable source of sustainable competitive advantage and the driving pillars in achieving strategic goals to fulfil clients' mandate. During the year under review, we prioritised resourcing the organisation for optimum capacity and productivity. We engaged employees as part of organisational development and change initiatives and coached executive management to capacitate and develop leaders, human resources efficiencies and effectiveness through human resources system upgrades and skills development interventions.

The PIC follows a multiple resourcing strategy that is growing our own wood through the graduate programme. The programme appoints graduates at entry-level roles. These graduates complete the PICeed Programme over 24 months. The multiple resourcing strategy, therefore, progresses the development and appointment of employees from within. During the year under review, 54 employees were recruited, consisting of 34 permanent, six fixed-term contractors and 14 PICeeds. Staff turnover at the end of the financial year was 5.2%, a 1.7% reduction from financial year 2016/17. The highest turnover was recorded at executive management level at 33%. The number of terminations reduced by 55%.

To maintain the PIC's diversity and equitable workplace, the Department of Labour revised and approved the Corporation's employment equity plan. The targets are aligned with strategic objectives to enhance female representation at senior management and to ensure that people with disabilities are sufficiently represented. It is important to emphasise that the engagement of employees is essential for their commitment and productivity to the Corporation. We recognise that employees need to feel valued and empowered, in order to increase morale, performance and participation. Regular employee engagement contributes to a healthy organisational environment and enables high performance. To this end, we have initiated employee engagement sessions to create and encourage transparent and open communication with management on issues affecting the organisation.

WORKFORCE PROFILE



The staff composition in relation to our employment equity targets for race, gender and occupation level at the end of March 2019 is reflected in the table below.

OCCUPATION LEVEL	FEMALES				FEMALE TOTAL	MALES				MALE TOTAL	GRAND TOTAL
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Top Management	1	0	1	0	2	4	0	1	0	5	7
Senior Management	33	3	2	4	42	52	3	7	6	68	110
Middle Management	54	6	5	6	71	50	1	3	6	60	131
Junior Management	39	2	3	3	47	35	1	0	0	36	83
Semi-skilled	40	0	0	1	41	33	1	0	1	35	76
Grand Total	167	11	11	14	203	174	6	11	13	204	407

EMPLOYEE DEVELOPMENT

To support its critical mission of 'Investing in our people and creating brand ambassadors', the PIC provides employees with learning and development opportunities for personal and professional growth. A total of 341 of our employees, representing 84% of the workforce - attended training interventions. The total spend in this area, including employees, graduates and bursaries awarded was R38 million, 10% of the PIC's total cost to company.

GRADUATE DEVELOPMENT

The PIC Graduate Development Programme (PICeed) consists of 55 graduates. From 2007 to date, 131 graduates participated in the programme (GDP), 53 of whom were absorbed permanently into the PIC, representing 70% retention over 11 years. In line with the PIC strategic objective to support youth development, more than R11 million worth of bursaries was awarded to 300 students during the 2018/19 academic year, a 50% increase from the previous year. Furthermore, the PIC provided training for more than 384 unemployed youth as follows:

- 50 unemployed graduates hosted for vacation work in partnership with PIC partners;
- 34 students registered for the University of Pretoria online workplace readiness programme; and
- 300 high school learners hosted and trained on how to choose career-related subjects and exposed to different careers.

EMPLOYEE WELLNESS

The wellbeing of employees contributes significantly to productivity and performance. The PIC Step Challenge ran various programmes to encourage healthy lifestyles. These included health checks and the Step challenger competition (Sweat the Asset).

PIC REMUNERATION PHILOSOPHY AND PRACTICES

In a highly competitive asset management market for qualified and experienced skills, our remuneration philosophy is designed to attract and retain talented employees, reward performance and reinforce strategy execution behaviours. The PIC recognises the fundamental value of a highly engaged and committed team, and strongly believes that the recruitment and retention of high-performing employees are critical to achieving its objectives.

The PIC Remuneration Policy is aligned with best practices. We continuously benchmark our salaries to remain relevant and competitive. Furthermore, we offer competitive and market-related remuneration to position the PIC as an employer of choice. At the core of our remuneration philosophy is reinforcing and rewarding excellent performance that supports the values, vision and mission, and strategic objectives of the PIC. The Remuneration Policy guides and provides the framework for reward practices that enhance our employee value proposition. As a state-owned institution, shareholder interests are of utmost importance in all instances that relate to the governance of remuneration of the senior management team.

PERFORMANCE INCENTIVES

Variable remuneration consists of short-term incentive and long-term incentive schemes.

SHORT-TERM INCENTIVE SCHEME

The objective is to align employee and company interests to achieve stated objectives in a specific year. The incentive is awarded annually to employees who meet the minimum requirement of performance and applies to all qualifying employees. The PIC performance level is a trigger for incentives to be paid out, thus the PIC corporate performance targets have to be met and exceeded, and all governance requirements have to be observed through the PIC Board and Shareholder.

LONG-TERM INCENTIVE SCHEME

The long-term incentive scheme rewards qualifying participants for achieving superior and sustained performance and helps to attract and retain high-calibre employees and employees with critical skills. The scheme allocates monetary awards over three years and is paid out when minimum performance requirements are satisfied. For senior managers, the Shareholder will approve the payout, in the period that the awards are vesting in the third year after allocation.

SENIOR MANAGEMENT REMUNERATION

We strive to align senior management remuneration and incentives with state-owned enterprise remuneration guidelines to the extent that they are relevant to the skills market in which the PIC operates. The PIC conducts salary reviews and benchmarks annually and uses accredited consultants in financial services, public sector and asset management sector.

Determination of Incentives and Governance Process

Once the Board sets the overall entity incentive pool, the PIC ensures that individual allocations are appropriate as described below.

BOARD DETERMINES THE ENTITY INCENTIVE POOLS	
1	Managers assess individual performance against individual objectives and in line with our corporate balance scorecard and values.
2.	Consistency checks are conducted at entity, business unit or function level.
3.	The Human Resources and Remuneration Committee reviews and recommends the incentive pool for Corporate and senior management.
4.	The total incentive pool is approved by the Board, based on the entity's financial performance.
5.	Executive Committee incentives approved by Shareholder.

Employee Relations

STAFF ACTUALS	2018/19
Number of employees dismissed	3
Number of disciplinary matters pending	2
Number of disciplinary cases on appeal	4
Number of employees lost through resignation/end of contract	19
Number of employees deaths	0
Lost through retirement	0
Lost through ill health	0

Union Membership Status

The PIC acknowledges that its employees have the right to freedom of association as per the Labour Relations Act (LRA) 66 of 1995 as amended. Employees have organised themselves through the National Union of Public Service and Allied Workers and had obtained majority representation by the end of the financial year. Management is finalising the recognition agreement.

CASE STUDY:

PIC Graduate Development Programme (GDP)

The PIC GDP equips talented graduates with knowledge of, skills in and exposure to asset and investment management and the role of the PIC in the economy. The programme is designed to produce a pipeline of competent professionals for the PIC and the country and to transform the asset management industry.

Format

Graduates learn and work at the PIC under the supervision of a dedicated mentor. They are assigned to a particular division based on their qualifications and career aspirations and exposed to competency-based roles during their two-year training. Graduates also attend technical and soft skills training programmes to augment their skills.

Graduate Programme ten year success story

The programme began in 2007 with an intake of three graduates and, to date, has benefited 131 graduates. There are 55 active graduates completing in 2020.

131 *Graduates benefited to date*

03 *The programme began in 2007 with an intake of three graduates*

55 *Active graduates completing 2020*

PICeeds Class of 2019

PICeeds Class of 2020

DISCLOSURE OF REMUNERATION AS AT 31 MARCH 2019

Non-Executive Directors

NAMES	Meeting attendance	Retainer	Total
Beswick, S	598,153	78,472	676,625
Manning, C*	131,712	-	131,712
Moloto, P	511,893	34,943	546,836
Mokoka, M	701,813	65,781	767,594
Mkhwanazi, X	775,316	25,072	800,388
Fubu, T*	36,048	-	36,048
Goba, T	829,071	45,498	874,569
Hlatshwayo, D	812,018	13,456	825,474
Toyi, L*	715,748	145,120	860,868
Zulu, S	764,107	78,472	842,579
	5,875,879	486,814	6,362,693

*Dr C Manning, Ms T Fubu and Ms L Toyi resigned in the current financial year.

Executive Directors

NAMES	Emoluments	Long-term incentive payable	Short-term incentive allocation	Other	Total
Matjila, D (CEO) *	7,435,884	4,691,279	-	11,120	12,138,283
More, M (CFO)	6,895,853	2,316,812	1,379,170	12,240	10,604,075
Hako, V (Acting CEO)*	4,631,732	2,381,428	926,346	12,240	7,951,746
Mavuka, B (Acting CFO)*	3,315,144	1,887,528	663,029	12,240	5,877,941
	22,278,613	11,277,047	2,968,545	47,840	36,572,048

* Dr Dan Matjila resigned on the 23 November 2018, Mr Vuyani Hako was appointed as an acting CEO on the 21 March 2019 and Mr Brian Mavuka was appointed as acting CFO on 26 November 2018.

Executive Committee

NAMES	Emoluments	Long-term incentive payable	Short-term incentive allocation	Other	Total
Dolamo, S	4,632,361	3,229,353	926,472	12,240	8,800,426
Madavo, F	4,632,019	2,497,595	926,404	12,240	8,068,258
Muller, M*	4,618,608	2,416,880	-	11,764	7,047,252
Pholwane, C	3,593,246	-	718,649	12,240	4,324,135
Rajdhar, R	4,631,557	2,904,180	926,311	240	8,462,288
Solomon, R	3,657,558	2,316,812	731,511	12,240	6,718,121
	25,765,349	13,364,820	4,229,347	60,964	43,420,480

*Mr M Muller resigned on the 14 March 2019.

Information Technology Report

STRATEGIC PRIORITIES

The PIC strategy ensures that the organisation uses information technology (IT) capabilities effectively to achieve its strategic and operational objectives. The PIC's strategy for business systems and technology is driven by business goals and objectives. The approved strategy leverages on the changing technology trends, which include private cloud as a key enabler for adoption of digital technologies. The PIC's investment in technology in the financial year under review cuts across the organisation from front-, middle- and back-office investment management systems and business operations.

The key focuses for the year were:

OBJECTIVE 1

Adopt New Technologies

KEY INITIATIVES

Adopt cloud ready systems and technologies, migrate approved initiatives for business agility.

OBJECTIVE 2

Optimise Business Systems

KEY INITIATIVES

Adapt business application portfolio, process and architecture to align with evolving business while ensuring sustainability of the PIC.

OBJECTIVE 3

Enhance Data Management Capabilities

KEY INITIATIVES

Improve data management and analytics capabilities for improved accessibility and consumption, while maintaining privacy in line with regulations and client mandates.

OBJECTIVE 4

Enhance PIC Information Security

KEY INITIATIVES

Continuously optimise Information Security capabilities to respond to increasing cyber threats and align with PIC's defined risk appetite.

Continuously develop skills to align with technology trends | Optimise cost management | Manage IT risks

Significant work was done to deliver the business systems and technology programmes. Progress on strategy implementation is monitored and reported to the IT Board sub-committee in line with the approved IT Governance Charter.

Adopt New Technologies

The PIC strives to continuously improve efficiencies in its business processes through the deployment and/or enhancement of relevant business solutions. To leverage the benefits of the cloud platform, while managing the risk, the PIC identified business solutions that could be consumed through cloud services. In the year under review, three systems were migrated to cloud platforms.

The PIC has invested significantly in training and developing its employees on the latest technologies to ensure that current IT talent evolves as technology changes.

Optimise Business Systems

The PIC has identified and partnered with leading business systems service providers in the asset management industry. Significant progress has been made to implement new systems and to enhance existing business systems to improve efficiency in portfolio construction and subsequent monitoring. Progress with implementing high-value investments in the organisation is listed below.

HIGH-VALUE INVESTMENTS

LISTED INVESTMENTS

- Enhanced the front- and middle-office investments system for improved portfolio construction and compliance monitoring
- Introduced investments dashboard that gives executives a view of the PIC Portfolio, weight, exposures and performance contribution on mobile devices for faster informed decisions

UNLISTED INVESTMENTS

- Invested in a leading integrated private equity system to optimise processes from deal origination to post-investment monitoring. This will enhance process efficiency for private equity and impactful investments. Implementation is in progress

HUMAN RESOURCE MANAGEMENT

- Enabled mobile capability for Human Resource System, ensuring continuity of employee related processes outside the office. This includes performance management and automated claims processes

INFORMATION TECHNOLOGY

- Migrated the PIC to a scalable, high availability network maintaining continuous business systems availability
- Re-architected backup and storage solutions, increasing uptime and reducing recovery time objective
- Introduced an internal broadcasting channel for fast and visible communication

Enhance Date Management Capabilities

In the year under review, the PIC invested in a Data Management Programme that seeks to improve data management and analytics capabilities. The key achievements of the programme were:

- Established data management governance structures;
- Defined roles and appointed required skills;
- Identified and prioritised initiatives for Data Management Programme; and
- The PIC is working with an appointed strategic partner to implement the new data management solutions.

Enhance Security of PIC Information

In view of information leakages and accelerated cybercrime worldwide, the PIC re-focused its Information Security Programme. The organisation rolled out a comprehensive information security awareness programme for all employees. This ensured that employees are aware of the risk they are exposed to and adopt secure habits. The awareness was capped with a series of compulsory test which all employees had to pass.

The PIC identified strategic partners that assist with delivering approved information security initiatives and continuous monitoring of the environment.

Corporate Social Investment Report

The PIC is committed to and passionate about Corporate Social Investment (CSI), in line with its standing as a good corporate citizen. The Corporation has initiated CSI projects in the communities in which it operates. Furthermore, CSI forms a vital part of the PIC's B-BBEE transformation and corporate accountability. During the year under review, the focus was on education, particularly maths and science, and socio-economic initiatives. Below is the summary of our activities for the period under review.

GIVEIT BACK

The PIC presented 80 educational android tablets to Ratang Thuto High School in Boichoko Township in the Northern Cape and Vusisizwe Secondary School in Zwelethemba in the Western Cape. Learners at these schools received digital literacy skills while gaining access to world-class education resources. The tablets offer instructional videos on mathematics, science, english, history, economics, finance, computer programming and other secondary school subjects.

Ratang Thuto High School in Boichoko Township, Northern Cape

Vusisizwe Secondary School in Zwelethemba, Western Cape

INSPIRE A CHILD TO GREATNESS

As part of our Inspire a Child to Greatness Programme, we hosted learners from Phelindaba High School in Atteridgeville, Tshwane, exposing them to possible career paths and opportunities at the PIC. In addition, learners received school kits and certificates of attendance. The theme for this year's event was 'Let your light shine so brightly that others can see their way out of the dark'.

ETAFENI TRUST

The underdeveloped Etafeni Centre in Nyanga in the Western Cape received a boost when the PIC assisted it with general maintenance to ensure effective teaching and learning. This included plumbing, electrical works, painting and repairs to windows and doors. The centre has 12 different community-based programmes, including an early childhood development (ECD) facility, and offers services to families affected by HIV/Aids, specifically to children infected and affected by HIV/Aids.

ARISE AND SHINE EDUCARE CENTRE

Arise and Shine Educare Centre in Tweefontein, Mpumalanga, caters for orphans between the ages of five and 12 years. The Corporation provided indoor educational toys, outdoor equipment, mattresses, blankets, kitchen equipment and food for the children. Facilities were also provided for the outdoor play area and a sickbay.

SOUTH AFRICAN MATHEMATICS FOUNDATION

The PIC continued its support for the South African Maths Foundation, which provides training at schools that previously received libraries from PIC. In partnership with the foundation, the PIC provided teacher training for primary schools in Sedibeng (Gauteng), Vhembe (Limpopo), Welkom (Free State) and Ehlanzeni (Mpumalanga) and secondary schools in Vhembe (Limpopo), Mount Frere (Eastern Cape) and Mahikeng (North West). The project provided hands-on training for maths teachers, exposing them to a variety of mathematics problem-solving strategies and techniques. The educators received a 16-hour workshop presented on two consecutive Saturdays, and resource material consisting of a workbook, notes and a DVD for high school learners. The course is endorsed by the South African Council of Educators and teachers earn 10 continuous professional development points per level.

RISE AGAINST HUNGER

The PIC, in partnership with the Rise Against Hunger Foundation, coordinated the distribution of food and other essential aid across South Africa. This initiative saw employees volunteer to pack meals for ECD centres for the needy. The nutritious meals packages comprised rice, soya, vegetables and 23 essential vitamins and minerals.

LEAD CHANGE DEVELOPMENTS

Lead Change Developments in Dobsonville, Soweto, and Kagiso, is a non-profit organisation (NPO) whose goal is to empower individuals living with disabilities with accredited Microsoft end-user courses at NQF level 2 and 3. The Media, Information and Communications Technologies Sector Education and Training Authority has approved Lead Change Development as an accredited training provider for a National Certificate in Information Technology: End-user Computing.

The NPO is an initiative of two youths with visual impairments and currently supports 96 learners living with disabilities. The PIC previously provided 20 laptops to the organisation and continued to partner with it to provide financial support to 10 learners to attain a National Certificate in Information Technology: End-user Computing. As a result of this partnership, the NPO won gold in the Premier of Gauteng Service Excellence Awards.

AVIATION DEVELOPMENT IN AFRICA

The PIC, in partnership with Aviation Development in Africa, held an aviation awareness event for learners. Some 33 schools across Gauteng were invited and provided with transportation to attend the event in Soweto. The learners were exposed to different aviation career paths and the event provided a platform for learner networking with professionals and organisations in the aviation industry. Aviation Development in Africa was formed by young female aviators with a desire to raise awareness on aviation career opportunities, with specific focus on people from rural and underprivileged areas. The initiative provides a support structure for individuals interested in the sector. The PIC provided transportation for 15 Soweto, six West Rand, six East Rand and six Tshwane schools.

Learners at the aviation awareness event

The Social and Ethics Committee Report

The PIC's Social and Ethics Committee (SEC) is a statutory board committee that assists the Board to fulfil its fiduciary duties within the Corporation. The SEC is constituted in line with the Companies Act of 2008. The Chairperson reports to the Shareholder at the PIC's Annual General Meeting (AGM) on matters within its mandate.

COMPOSITION

The names of the SEC members and their qualifications are detailed in the Board of Directors section of this Integrated Annual Report on pages 148 to 152. A summary of attendance, standing invitees and key focus areas of the Committee for the period under review are included on pages 160 to 161 of this Integrated Annual Report.

ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The SEC acts in terms of the delegated authority of the Board and assists the Directors in monitoring the PIC's activities and disclosures in terms of relevant legislation, Regulation 43(5) of the Companies Act Regulations and codes of best practices relating to:

- Social and economic development, including the PIC's standing in terms of goals and the purposes of monitoring its compliance with the following:
  - Ten principles of the United Nations Global Compact (UNGC) and the United Nations Principles for Responsible Investment (UNPRF);
  - Organisation for Economic Development Cooperation and Development (OECD) recommendations on corruption;
  - National Development Plan (NDP);
  - Employment Equity Act, No 55 of 1998); and
  - B-BBEE Act, No 53 of 2003.
- Ensuring that the PIC is a good corporate citizen;
- Monitoring the PIC's compliance with the Environmental Health and Safety Act, No 85 of 1993;
- Monitoring consumer relationships;
- Monitoring Competition Law issues;
- Monitoring labour and employment issues;
- Monitoring matters pertaining to reputational risk;
- Bringing matters relating to the above to the attention of the Board, as the occasion may require; and
- Discharging other duties as mandated by the Board from time to time.

ACTIVITIES AND EXECUTION OF DUTIES FOR THE YEAR UNDER REVIEW

The SEC met six times during the year and performed the following activities:

ORGANISATIONAL ETHICS

The ultimate responsibility to ensure ethical behaviour within the PIC rests with the Board. The establishment of an ethical culture starts by the Board, Management and Employees setting the correct example. Ethical leadership demonstrates itself in the policies, systems and processes of an organisation and the way in which these are applied consistently.

The SEC aims to champion and foster a culture of good governance and ethics and ensures that the PIC's Code of Conduct and Ethics Policy, which apply to both Directors and staff, are applied at all levels of the organisation.

During the period under review, the PIC appointed the Ethics Institute to conduct an independent Ethics Risk Assessment (ERA) for the Corporation. The PIC, with the Ethics Institute, is following a qualitative and quantitative approach to establish an ethics risk profile and a strategy for implementation. The qualitative assessment has been completed. The process has continued into the 2019/20 financial year, to formalise the quantitative assessment and conduct interviews with the PIC's key external stakeholders, with an expectation to conclude the ERA.

REPUTATIONAL RISK

The SEC oversees the administration of the PIC's Politically Exposed Persons Policy (PEPs Policy). During the year under review, it considered and made recommendations on transactions that could pose high reputational risks to the PIC as referred to by the PIC Investment Committee, the Fund Investment Panels and the Portfolio Management Committees.

An enhanced Due Diligence process is followed in all transactions involving persons classified as PEPs. The Committee is satisfied that the initiatives undertaken by the PIC are adequate and comply with the changes to due diligence and other processes brought about by the Financial Intelligence Centre Amendment Act, No 1 of 2017 (FICA).

GOOD CORPORATE CITIZENSHIP

The Committee evaluated the PIC's corporate social investment (CSI) strategy and plan that focuses on areas such as youth, education and enterprise development programmes. It also assessed the achievements of the Corporation's commitment to donate 1% of net profit after tax to CSI.

The Committee also received and reviewed the ESG reports, including proxy voting reports, and considered leading indicators that could provide early warning signals for distressed investments.

ENVIRONMENTAL HEALTH AND PUBLIC SAFETY

The Committee received and considered quarterly Safety, Health and Security Reports, which included a report on the successful fire drill for the PIC conducted during the period under review.

The National Occupational Safety Association (NOSA) contract as consultant to the PIC expired in December 2018. The SHE Officer, appointed in October 2018, has taken over from NOSA.

The Corporation also engaged a consultant specialising in ergonomics to assist staff to adjust their chairs to obtain the necessary back and neck support.

The installation and the deployment of additional security resources enhanced security at the PIC's offices. Employees underwent Information Communication and Technology security awareness training to ensure information security.

STAKEHOLDER RELATIONS

The Committee received quarterly reports from the Legal Division to monitor and ensure that the PIC complies with legislation such as the revised B-BBEE Codes and amendments to FICA. The PIC continues to engage its stakeholders to implement its responsibilities in a way that assures alignment of desired outcomes.

During the period under review, the PIC established a Joint Social and Ethics Working Group with the Government Employees Pension Fund (GEPF) to:

- Facilitate and ensure an effective working relationship between the GEPF and the PIC on matters pertaining to social and ethics; and
- Facilitate the discussion on and recommend strategic social and ethics matters to the GEPF and PIC Boards.

The GEPF/PIC Joint Social and Ethics Working group met twice during the year under review.

LABOUR AND EMPLOYMENT

The Committee conducted a review of the Employment Equity Plan. The revised plan was approved by the Department of Labour and the online annual Employment Equity Plan was submitted as required.

COMPLIANCE

No material non-compliance with legislation and regulations or non-adherence to codes of best practice in the areas within the SEC's mandate was brought to the Committee's attention.

PIC COMMISSION OF INQUIRY

The PIC is committed to conduct its business based on a strong ethical culture that is embedded throughout the organisation. It has faced huge reputational issues since the previous financial year, which prompted a multipronged approach to improve professional ethics and to make ethical behaviour a core part of the organisational culture.

The Board welcomes the PIC Commission and believes that the Inquiry will provide the PIC with an opportunity to present facts about its corporate governance standards, operations and investment decisions, to restore public confidence. The Board informed the PIC Commission of its commitment to fully cooperate with the process and encouraged management and employees to work along with the PIC Commission of Inquiry.

CONCLUSION

The Committee is satisfied that it has fulfilled its responsibilities in accordance with the terms of reference of the SEC for the period under review. It is grateful for the assistance provided by management and staff in pursuit of social impact and ethical excellence.

The SEC recognises that areas within its mandate are evolving and that management's responses, too, will adapt to changes in the environmental, social, governance and transformation agenda.

Ms Barbara Watson
Chairperson: Social, Ethics and Transformation Committee

Governance At The PIC

The Public Investment Corporation SOC Limited, as a Schedule 3B public entity in terms of the Public Finance Management Act, No 1 of 1999 (PFMA), is committed to good corporate governance. The principles of the King IV Report on Corporate Governance in South Africa (King IV), the Companies Act, No 71 of 2008 (Companies Act) and all other applicable legislation have been complied with throughout the organisation. The rights and duties of individual directors of the PIC, and the Board as a whole, are determined primarily by their contracts (if any) with the PIC, Sections 72 to 78 of the Companies Act, the Memorandum of Incorporation (MoI), Chapter 6 of the PFMA, the Public Investment Corporation Act, No 23 of 2004 (PIC Act) and Common Law. Apart from the duties imposed on the individual directors of the PIC in terms of the Companies Act, a director is a Common Law subject with fiduciary duties, requiring him/her to exercise his/her powers bona fide and for the benefit of the PIC and to display reasonable care and skill in carrying out his/her responsibilities. The Board of Directors is empowered by the MoI to determine the strategic direction of the PIC and has the prerogative to approve policy, planning and to oversee the monitoring, implementation and execution of the strategy by Management. The Board remains accountable for the organisational performance by means of reporting and disclosure.

Ethical leadership forms the foundation of effective corporate governance. Given the governance issues that it faced, the PIC is re-instilling an ethical culture.

PARLIAMENTARY COMMITTEE

The Standing Committee on Public Accounts (SCOPA) reviews the PIC Annual Financial Statements and the audit reports submitted by the Auditor General. SCOPA considers financial statements of all executive organs of state and constitutional institutions or other public bodies when those statements are submitted to Parliament.

EXECUTIVE AUTHORITY

The Executive Authority of the PIC is the Minister of Finance, who in terms of Section 6(1) of the PIC Act, determines and appoints the members of the PIC Board in consultation with Cabinet. Section 6(2) of the PIC Act stipulates that the Minister, in appointing the Board, must consider the nominations submitted to him/her by the depositors.

CORPORATE GOVERNANCE ROLE OF THE BOARD

The Board is governed by an approved Board Charter, aligned with the provisions and requirements of the PIC Act, the Companies Act, read with the Companies Act Regulations, 2011 (Companies Act Regulations), the PFMA, the King IV Report and PIC's MoI. The Board Charter is reviewed annually to ensure alignment and compliance with legislation and best practice.

The PIC Board adheres to best practice corporate governance guidelines, comprising the duties and responsibilities of the Board and certain Board committees; and other integrated sustainability matters.

The Board has a responsibility to the broader stakeholders, which include clients, employees, the Shareholder and the wider community, to achieve continued prosperity for the PIC.

The Board operates independently of PIC Management and is accountable to the Shareholder. The Board does not assume the functions of the PIC Management, which functions remain the responsibility of the Executive Directors and PIC Management.

BOARD EXPERTISE

The PIC Board has the appropriate balance of technical, financial, investment, commercial, and legal skills and experience to fulfil its fiduciary duties.

BOARD COMMITTEES

Section 72 of the Companies Act makes provision for the Board to appoint any number of committees of directors and delegate to any committee any authority of the Board.

The PIC Board has established six Board Committees to assist them with discharging of its responsibilities. These are the:

- Audit and Risk Committee (ARC), which is a statutory committee;
- Social and Ethics Committee (SEC), which is a statutory committee;
- Investment Committee (IC);
- Human Resources and Remuneration Committee (HRRC);

- Directors' Affairs Committee (DAC); and
- Information, Communication and Technology Governance Committee (ICTGC).

The Board has also established three Fund Investment Panels (FIP) to assist the IC with the execution of its responsibilities in Unlisted Investments. These are:

- Property Fund Investment Panel (Prop FIP);
- Social and Economic Infrastructure and Environmental Sustainability Fund Investment Panel (SEIES FIP); and
- Private Equity, Priority Sector, Small and Medium Enterprise Fund Investment Panel (PEPSS FIP).

DELEGATION OF AUTHORITY (DOA)

The Board has implemented a formal Delegation of Authority Framework, consisting of the:

- Corporate Delegation of Authority;
- Unlisted Investments Delegation of Authority;
- Property Investments Delegation of Authority; and
- Listed Investments Delegation of Authority.

The Delegation of Authority Framework assists the Board to exercise its powers in good faith and for a proper purpose. The Board, thereby, makes sound investment decisions in the best interest of the company and its clients. To ensure oversight, the various committees report to the Board within the ambit of their mandates to ensure compliance with governance and best business practices.

COMPANY SECRETARY

MS BONGANI MATHEBULA

POSITION
Company Secretary

QUALIFICATIONS

- Admitted as Attorney and Conveyancer of the High Court of South Africa
- LLM: Commercial Law
- B Proc
- Certificate in Advanced Corporate Law
- Certificate in Board Leadership

DATE APPOINTED
1 August 2015

DATE OF RESIGNATION/END OF TERM
Precautionary suspension from 17 April 2018 until 27 March 2019

COMPLIANCE NOTICE

The Companies Intellectual and Properties Commission (CIPC) issued the PIC with a Compliance Notice in terms of Section 187(2)(b) of the Companies Act. The Notice instructed the PIC to:

- Recover the Capital Investment plus interest to Ayo within 15 business days from the date of the Compliance Notice; and
- Provide the Commissioner of the CIPC with written confirmation that the PIC has recovered the Capital Investment and interest that may have accrued on the Capital Investment made to Ayo within 30 business days from the date of the Compliance Notice.

The PIC subsequently lodged an urgent application against the CIPC to review and set aside the Compliance Notice. The PIC's application was successful and the Compliance Notice was set aside.

The decision by the North Gauteng High Court to set aside the Compliance Notice was welcomed by the PIC. The High Court acknowledged that most of the issues that PIC raised against the CIPC were conceded to by the CIPC and these issues included absence of a fair procedure, irrational decision taken by the CIPC and the existence of material factual errors in the CIPC's notice. The only issue in dispute was whether the issued compliance notice was defective and stood to be set aside or whether it ought to be suspended pending a review of that notice in the normal course. In that regard, the Court made an important finding that the CIPC failed to afford the PIC a Constitutional right to be heard prior to issuing the notice rendering the notice invalid and void. On that basis, the CIPC's counter application was dismissed on the basis that there was no valid notice to be amended or modified.

The PIC remains committed to carry out to conclusion the steps that it had already taken to recover the invested funds without any delay.

BOARD OF DIRECTORS

MR MONDLI GUNGUBELE

POSITIONS
- Chairperson of Board
- Independent Non- Executive Director
- Chairperson of DAC

QUALIFICATIONS
- Bachelor of Commerce (Law)
- National Diploma Nursing

OTHER COMMITTEES
DAC

DATE APPOINTED
26 February 2018

END OF TERM
30 May 2019

DR XOLANI MKHWANAZI

POSITIONS
- Independent Non-Executive Director
- Deputy Chairperson
- Chairperson of IC

QUALIFICATIONS
- Doctor of Philosophy (Applied Physics)
- Master of Science (Applied Physics)
- Bachelor of Science (Maths and Physics)

DIRECTORSHIPS
- Non-Executive Director on the Board of Gibela Train Transportation
- Non-Executive Director on the Board of Private Label Promotion
- Non-Executive Director on the Board of South32 Limited
- Non-Executive Director on the Board of Murray and Roberts Holdings
- Non-Executive Director on the Board of EOH Holdings Limited

OTHER COMMITTEES
- IC
- DAC
- SEC
- PEPSS FIP
- SEIES FIP

DATE APPOINTED
1 August 2017

REAPPOINTED
12 July 2019

MS SANDRA BESWICK

POSITIONS
- Independent Non-Executive Director
- Chairperson of ICTGC from 22 July 2018

QUALIFICATION
Bachelor of Commerce (Honours)

DIRECTORSHIPS
- Non-Executive Director on the Board of Sandra Beswick and Associates (Pty) Ltd
- Non-Executive Director on the Board of Let It Grow
- Non-Executive Director on the Board of LA Crushers (Pty) Ltd

OTHER COMMITTEES
- ICTGC
- PEPSS FIP
- SEIES FIP
- ARC
- DAC
- HRRC

DATE APPOINTED
1 December 2015

END OF TERM
31 May 2019

BOARD OF DIRECTORS

MS TANTASWA FUBU

POSITIONS
- Independent Non-Executive Director
- Chairperson of ARC

QUALIFICATIONS
- Chartered Accountant (SA)
- Higher Diploma in Banking Law
- Postgraduate Diploma in Accounting (CTA)
- Bachelor of Administration (Honours)

DIRECTORSHIPS
- Non-Executive Director on the Board of Ithala SOC Ltd
- Non-Executive Director on the Board of Cerebral Cross Consultants
- Non-Executive Director on the Board of Santam Limited

OTHER COMMITTEES
- DAC
- SEC
- ARC

DATE APPOINTED
1 October 2013

DATE RESIGNED
30 July 2018

DR TRUEMAN GOBA

POSITIONS
- Independent Non-Executive Director
- Chairperson of PROP FIP
- Chairperson of HRRC

QUALIFICATIONS
- Registered Professional Engineer (SA)
- Doctor of Engineering (SA)
- Master of Engineering (SA)
- Bachelor of Science (England)
- Survey Technician Diploma
- Diploma in Management (Public Policy and Development Administration)

DIRECTORSHIPS
- Non-Executive Director on the Board of Hatch Africa (Pty) Ltd
- Member of the Board of Goba (Pty) Ltd
- Non-Executive Director on the Board of Independent News Media
- Non-Executive Director on the Board of Gobida (Pty) Ltd
- President: SA Academy of Engineering
- Chairman: SA Youth into Engineering

OTHER COMMITTEES
- HRRC
- PROP FIP
- ICTGC
- DAC
- IC

DATE APPOINTED
1 October 2013

DATE RESIGNED
11 July 2019

MS DUDU HLATSHWAYO

POSITIONS
- Independent Non-Executive Director
- Chairperson of PEPSS FIP

QUALIFICATIONS
- Master of Business Administration
- Bachelor of Social Sciences (Honours)
- Senior Executive Leadership Programme

DIRECTORSHIPS
- Non-Executive Director on the Board of Land Bank
- Non-Executive Director on the Board of Hulisani Energy
- Non-Executive Director on the Board of Pareto
- Non-Executive Director on the Board of ETG
- Non-Executive Director on the Board of ACSA

OTHER COMMITTEES
- ICTGC
- IC
- HRRC
- ARC
- DAC
- PEPSS FIP

DATE APPOINTED
1 December 2013

DATE RESIGNED
11 July 2019

BOARD OF DIRECTORS

DR CLAUDIA MANNING

POSITIONS
- Independent Non-Executive Director
- Chairperson of ICTGC

QUALIFICATIONS
- Doctor of Philosophy
- Master of Philosophy
- Bachelor of Arts (Honours) (Economic History)

DIRECTORSHIPS
- Non-Executive Director on the Board of Adcock Ingram Holdings
- Non-Executive Director on the Board of Mondi Zimele (Pty) Ltd
- Non-Executive Director on the Board of Sangena Investments (Pty) Ltd

OTHER COMMITTEES
- ICTGC
- PEPSS FIP
- IC
- DAC
- SEC

DATE APPOINTED
1 December 2015

DATE RESIGNED
22 July 2018

MR PITSI MOLOTO

POSITIONS
Independent Non-Executive Director

QUALIFICATIONS
- Master in Business Administration
- Master in City Planning

DIRECTORSHIPS
- Non-Executive Director on the Board of Strategic Pathways
- Non-Executive Director on the Board of Pitsi Moloto Advisory Services
- Non-Executive Director on the Board of Resultant Finance

OTHER COMMITTEES
- PROP FIP
- ARC
- ICTGC
- SEIES FIP
- HRRC
- DAC
- SEC

DATE APPOINTED
1 December 2015

END OF TERM
31 May 2019

REAPPOINTED
12 July 2019

MS MATHUKANA MOKOKA

POSITIONS
- Independent Non-Executive Director
- Chairperson of ARC

QUALIFICATIONS
- Chartered Accountant (SA)
- Bachelor of Commerce (Accounting)
- Postgraduate Diploma in Management (Financial Accounting)
- Postgraduate Diploma in Auditing

DIRECTORSHIPS
- Non-Executive Director on the Board of Contract Services Group Holding
- Non-Executive Director on the Board of Palabora Mining (Pty) Ltd
- Non-Executive Director on the Board of Rolfes Holdings
- Non-Executive Director on the Board of Sanlam Limited

OTHER COMMITTEES
- ARC
- HRRC
- PEPSS FIP
- SEC
- PROP FIP
- DAC

DATE APPOINTED
1 August 2017

DATE RESIGNED
11 July 2019

BOARD OF DIRECTORS

MS LINDIWE TOYI

POSITIONS
- Independent Non-Executive Director
- Chairperson of SEC

QUALIFICATIONS
- Master of Business Administration
- Bachelor of Science
- National Higher Grade Diploma in Electrical Engineering

DIRECTORSHIPS
- Non-Executive Director on the Board of Afrisam (Pty) Ltd
- Non-Executive Director on the Board of Columbus Steel

OTHER COMMITTEES
- IC
- SEC
- DAC
- SEIES FIP
- ARC

DATE APPOINTED
1 December 2015

DATE RESIGNED
9 February 2019

MS SIBUSISIWE ZULU

POSITIONS
- Independent Non-Executive Director
- Chairperson of SEIES FIP

QUALIFICATIONS
- Admitted Attorney of the High Court of South Africa
- Bachelor of Laws
- Advanced Diploma in Corporate Law
- Certificate in Business Rescue
- Certificate in Practical Legal Training

OTHER COMMITTEES
- PROP FIP
- SEIES FIP
- ARC
- IC

DATE APPOINTED
1 October 2013

DATE RESIGNED
11 July 2019

DR DANIEL MATJILA

POSITIONS
- Chief Executive Officer
- Executive Director

QUALIFICATIONS
- Doctor of Philosophy in Mathematics
- Master of Science in Applied Mathematics
- Postgraduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics

DIRECTORSHIPS
- Non-Executive Director on the Board of Ecobank Transnational Incorporated
- Non-Executive Director on the Board of Capital Appreciation Ltd
- Non-Executive Director on the Board of SA SME Fund

OTHER COMMITTEES
- PROP FIP
- DAC
- ICTGC
- IC
- PEPSS FIP
- SEIES FIP
- SEC

DATE APPOINTED
1 August 2017

DATE RESIGNED
23 November 2018

BOARD OF DIRECTORS

*MS MATSHEPO MORE

POSITIONS
- Acting Chief Executive Officer from 24 November 2018
- Chief Financial Officer
- Executive Director

QUALIFICATIONS
- Chartered Accountant (SA)
- Certificate in the Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

DIRECTORSHIPS
- Non-Executive Director on the Board of Association of Black Accountants
- Non-Executive Director on the Board of Industrial Development Corporation South Africa
- Non-Executive Director on the Board of GEPF MoZ
- Non-Executive Director on the Board of Jordiflo
- Member of the V&A Property Committee
- Member of the Audit and Risk Committee of V&A Waterfront

OTHER COMMITTEES
- PROPFIP
- PEPSS FIP
- SEIES FIP
- IC
- SEC
- ICTGC

DATE APPOINTED
1 December 2012

** Precautionary suspension from 20 March 2019*

MR VUYANI HAKO

POSITIONS
- Acting Chief Executive Officer from 21 March 2019
- Executive Director
- Executive Head: Properties

QUALIFICATIONS
- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

DIRECTORSHIPS
- Non-Executive Director on the Board of V&A Waterfront
- Non-Executive Director on the Board of Gateway Delta
- Non-Executive Director on the SAPOA Board

OTHER COMMITTEES
- DAC
- SEC
- ICTGC
- IC

MR BRIAN MAVUKA

POSITIONS
- Acting Chief Financial Officer from 26 November 2018
- Executive Director
- General Manager: Finance

QUALIFICATIONS
- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor

DIRECTORSHIP
- Non-Executive Director on the Board of CBS Group Holdings

OTHER COMMITTEES
- SEC
- ICTGC
- IC

THE BOARD

MEETINGS HELD	20 meetings were held during the year under review
PURPOSE	• Monitoring and evaluating the implementation of its strategies, policies and business plan, as a measure of operational performance and PIC Management performance. • Overseeing due and proper execution of PIC clients mandates. • Overseeing, approving, monitoring and reviewing corporate strategy, measure plans of action, company policies, systems, annual budgets and corporate plans. • Establishing performance objectives to enable it to measure PIC Management's performance and the progress of the PIC in attaining set goals, objectives and targets.
KEY ACTIVITIES	• Approval of the annual budget, the Shareholders' Compact and the Corporate Plan. • Approval of the Annual Financial Statements and statutory reports. • Consideration of approved policy, declaration or recommendation of dividend payment. • Evaluation of performance of Board members and Board committees. • Review of Non-Executive Directors' fees, Executive Directors' and Executive Heads' remuneration. • Review of policies in general (such as remuneration policy, authority levels, etc.).
CONCLUSION	The Board ensures that a stakeholder-inclusive approach is adopted, which takes into account and balances their legitimate and reasonable needs, interest and expectations.

ATTENDANCE: BOARD

NAMES	18 May 2018	30 May 2018	08 Jun 2018*	22 Jun 2018*	05 Jul 2018*	27 Jul 2018	06 Aug 2018*	08 Aug 2018*	27 Aug 2018*	28 Aug 2018*	05 Sep 2018*	11 Oct 2018*	16 Nov 2018	23 Nov 2018*	13 Dec 2018	21 Jan 2019*	29 Jan 2019*	01 Feb 2019	08 Mar 2019*	20 Mar 2019*
Mr Mondli Gungubele	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓
Dr Xolani Mkhwanazi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Claudia Manning	✓	✓	✓	✓	✓	Resigned 22 July 2018														
Dr Trueman Goba	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓
Ms Dudu Hlatshwayo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Lindiwe Toyi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	R
Ms Sandra Beswick	A	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Tantaswa Fubu	✓	✓	✓	✓	A	A	Resigned 30 July 2018													
Mr Pitsi Moloto	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	A	✓	✓	✓	✓	✓
Ms Mathukana Mokoka	✓	✓	✓	A	✓	A	✓	A	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Sibusisiwe Zulu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Daniel Matjila	A	✓	✓	✓	A	A	✓	✓	✓	✓	A	✓	✓	✓	X	Resigned 23 Nov 2018				
Ms Matshepo More	A	Maternity leave					A	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr Brian Mabuka (Acting Chief Financial Officer)	Ex-officio Director since 26 November 2018														✓	✓	✓	✓	✓	✓

A - Apology
* Special Board Meeting

DIRECTORS AFFAIRS COMMITTEE

MEETINGS HELD	Three meetings held during the year
MEMBERSHIP	• Mr Mondli Gungubele • Ms Dudu Hlatshwayo • Dr Xolani Mkhwanazi • Ms Mathukana Mokoka • Dr Trueman Goba • Ms Sandra Beswick • Ms Matshepo More • Ms Tantaswa Fubu • Dr Claudia Manning • Dr Daniel Matjila
PURPOSE	• Identify individuals qualified to be nominated as members of the Board (in line with the MoI), the statutory committees, the Board committees and the FIPs. • Recommend such individuals to the Board for appointment in terms of the MoI and the PIC Act. • Establish procedures to ensure that the selection of individuals for such recommendation is transparent. • Make recommendations to the Board on the remuneration of Non-Executive Directors. • Provide a focus on corporate governance that will enhance corporate performance and ensure that PIC's corporate governance system is effective. • Independent role with accountability to the Board. DAC does not assume the functions of PIC Management, which functions remain the responsibility of the Executive Directors, Executive Heads and Senior Management.
KEY ACTIVITIES	• Ensured compliance with provisions of the Companies Act, the MoI and the PIC Act governing the rotation of Directors, and make appropriate recommendations to the Board on the eligibility of retiring Directors of the PIC for re-election. • Established formal and transparent procedures for the appointment of Directors of the PIC by the Shareholder, in consultation with Cabinet. • Reviewed the Board, the Statutory Committees, the Board Committees and the FIPs' structures, compositions and size, the required mix of skills, experience and demographical representation of the Directors, and recommend to the Board any adjustments deemed necessary to enhance the effectiveness of the Board, taking into consideration its short-term needs and long-term succession plans. • Assisted the Chairperson of the Board to initiate and manage overall performance evaluations of the Non-Executive Directors, the Board as a whole, the Statutory Committees, the Board Committees and the FIPs at least every two years with the assistance of the Company Secretary. • Monitored attendance of Directors at all Board, Statutory Committees, Board committees and FIPs meetings. • Monitored nomination/appointment of PIC employees, Non-Executive Directors or other persons as nominee Directors in investee companies.
CONCLUSION	DAC has nominated and appointed Directors to Investee Companies. It has developed for Board review and approval, a set of governance principles and guidelines that are applicable specifically to the PIC.

ATTENDANCE: DIRECTORS' AFFAIRS COMMITTEE			
NAMES	20 Jul 2018	19 Oct 2018	15 Feb 2019
Mr Mondli Gungubele	✓	✓	Apology
Ms Dudu Hlatshwayo	✓	✓	✓
Ms Tantaswa Fubu	Apology	Resigned 30 July 2018	
Dr Trueman Goba	✓	✓	✓
Ms Claudia Manning	✓	Resigned 22 July 2018	
Ms Lindiwe Toyi	✓	✓	Resigned 9 Feb 2019
Dr Xolani Mkhwanazi	✓	✓	✓
Ms Mathukana Mokoka	Appointed 6 Aug 2018	✓	✓
Ms Sandra Beswick	Appointed 6 Aug 2018	Apology	✓
Dr Daniel Matjila	Apology	✓	Resigned 23 Nov 2018
Ms Matshepo More	Maternity leave/Acting Chief Executive Officer 23 Nov 2018		✓

AUDIT AND RISK COMMITTEE

MEETINGS HELD	Six meetings were held during the year
MEMBERSHIP	• Ms Tantaswa Fubu • Ms Mathukana Mokoka (appointed Chairperson on 6 August 2018) • Ms Sandra Beswick • Ms Sibusiziwe Zulu • Ms Lindiwe Toyi
PURPOSE	Assist the Board in discharging its duties in terms of oversight of the financial reporting, the audit processes, the company's system of internal controls, management of risks and compliance with laws and regulations. ARC does not assume the functions of the PIC Management, whose functions remain the responsibility of the Executive Directors, Executive Heads and Senior Management.
KEY ACTIVITIES	Reviewed: • The effectiveness of internal control systems. • The effectiveness of internal audit. • The risk areas of the PIC's operations to be covered in the scope of internal and external audits. • The adequacy, reliability and accuracy of financial information provided to Management and other users of such information. • Accounting and auditing concerns identified during internal and external audits. • The entity's compliance with legal and regulatory provisions. • The activities of the internal audit function, including its annual work programme, coordination with the external auditors, reports of significant investigations and management responses to specific recommendations. • The independence and objectivity of the External Auditors. • Reservations or difficulties arising from the external audit and any matters the External Auditors wish to raise as well as any areas of significant disagreement between PIC Management and the External Auditors, both internal and external (in the absence of PIC Management where necessary). • The Internal and External Auditors' management letters and Management's response thereto as well as cases where Management believed the cost of implementing additional controls outweighed the risk resulting from making no changes. • Letters of Management representations requested by the External Auditors on the Annual Financial Statements. • Other material communications between Management and the External Auditors, including the schedule of unadjusted audit differences. • Assess the organisational risk profile regularly, and propose adaptations to the internal audit plan accordingly. • Periodically review the effectiveness of the Chief Financial Officer and the finance function. • Assess the Annual Financial Statements before submission to the Board, focusing particularly on: (a) The completeness, quality and transparency of financial information; (b) Any changes in accounting policies and practices as well as significant changes in the numbers from the previous year; (c) Assessing major judgmental areas and estimates, which had a significant impact on the financial statements; (d) Significant adjustments resulting from the audit; (e) Significant or unusual transactions, if any, that are not part of PIC's normal business; (f) The appropriateness of major adjustments processed at year-end;

(g) All outstanding litigation, contingencies and other claims and how these matters are reflected in the financial statements;
(h) All significant proposed changes to the financial statements and Integrated Annual Report and any concerns about the adequacy of disclosure of any items with specific reference to International Financial Reporting Standards;
(i) Understanding the extent to which the financial information accompanying the audited financial statements has been audited;
(j) Compliance with accounting standards; and
(k) Compliance with statutory requirements and specifically, the disclosure requirements of the Companies Act and best practice corporate governance guidelines.

- The Annual Financial Statements included in the Integrated Report.
- Disclosure of sustainability issues in the Integrated Report to ensure that information is reliable and does not conflict with the financial information.
- The Integrated Annual Report and the accounts taken as a whole, to ensure that they present a balanced and understandable position and performance of the PIC.
- The PIC Management's statement on internal control prior to ratification by the Board, with specific reference to the safeguarding of assets and the prevention and detection of fraud.
- The effectiveness of the PIC's Information Technology (IT) systems of internal control, including internal financial control, business process control and business risk management at the end of the PIC's most recent financial year, i.e. policies and procedures and the operational effectiveness thereof in preventing or detecting fraud.
- The systems, including the whistle-blowing programme, that enables employees and other stakeholders to raise concerns about possible improprieties, including alleged fraud by employees.
- How such matters were handled, including reviewing Management reports on allegations/ investigations of fraud, bribery and other serious wrongdoing.
- The PIC's compliance with material compliance obligations, including laws and regulations, and reporting of fraud, bribery and improper acts.
- Compliance with the requirements of the MoI.
- With PIC Management, and any internal or external counsel as ARC considers appropriate, any legal matters (including the status of pending litigation) that may have a material, financial and reputational impact on the PIC and any material reports or inquiries entitled to in terms of legislation.
- The Terms of Reference of the ARC to ensure compliance with the provisions of the Companies Act, PFMA, King IV, National Treasury Regulations and best practice.
- The findings of any examinations by regulating agencies.

Monitored:

- That arrangements for internal audit provided for necessary skills and resources to address the complexity and volume of risk faced by the organisation, and that Internal Audit is supplemented as required by specialist services.
- That annual confirmation was received from the Head of Internal Audit that internal audit conforms to a recognised industry code of ethics.
- That arrangements concerning assurance services and functions are effective in achieving the following objectives:
  - Enabling an effective internal control environment;
  - Supporting the integrity of information used for internal decision-making by Management, the Board and its committees; and
  - Supporting the integrity of external reports.

- The combined assurance model designed and implemented to cover the organisation's significant risks and material matters through a combination of the following assurance service providers and functions:
  - The PIC's line functions that owns and manage risks;
  - The PIC's specialist functions that facilitate and oversee risk management and compliance;
  - Internal Auditors, internal forensic fraud examiners and auditors, safety and processes assessors, and statutory actuaries;
  - Independent external assurance service providers such as External Auditors;
  - Other external assurance providers, such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors; and
  - Regulatory inspectors.

- Oversight of risk management and, in particular, to oversee that it results in the following:
  - An assessment of risks and opportunities emanating from the triple context (i.e. economy, society and environment) in which the PIC operates and the capital that the PIC uses and affects;
  - An assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving the PIC's objectives;
  - An assessment of the PIC's dependence on resources and relationships presented by the various forms of capital;
  - The design and implementation of appropriate risk responses;
  - The establishment and implementation of business continuity arrangements that allow the organisation to operate under conditions of volatility, and to withstand and recover from acute shocks; and
  - The integration and embedding of risk management in the business activities and culture of the PIC.

- Compliance of the PIC with the Companies Act, PIC Act, PFMA, Financial Intelligence Centre Act, No 38 of 2001 (FICA), Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS Act) and any other legal requirements.
- Compliance with the PIC's Code of Conduct and any significant breaches of the Code (also; review of the Code from time to time and advise on amendments).

Approved:

- The proposed agreement with the auditor for the provision of non-audit services to the company.
- The interim audit, the audit fees to be paid to the External Auditors, the auditors' terms of engagement and the nature and scope of the audit.
- The Internal Audit Charter that defines the role and associated responsibilities and authority of Internal Audit, including addressing its role within combined assurance and the internal audit standards to be adopted.

	• A rolling three-year strategic Internal Audit plan based on its assessment of the PIC's key risk areas, considering the PIC's current operations, the operations proposed in the PIC's corporate and strategic plan, and the PIC's risk management strategy. • An internal audit plan for the first year of the rolling plan. • Plans indicating the scope of each audit in the annual internal audit plan. • The appointment of the Head of Internal Audit, including employment contract and remuneration, ensuring that the person has the necessary competence and objectivity. • The final rated balanced scorecard of the Head of Internal Audit and related processes. Recommended to the Board: • Submissions on the PIC's accounting policies, financial control, records and reporting. • The engagement of an external assurance provider on material sustainability issues. • The Integrated Annual Report. • The policy that articulates and gives effect to the PIC's set direction on risk. • Audit Annual Financial Statements. Other duties: • Should a report from internal audit (or any other sources) to the committee implicate any member(s) of the Board in fraud, corruption or gross negligence, promptly report this to the Shareholder and the Auditor-General. • Communicate any concerns it deems necessary to the Shareholder and the Auditor-General. • Perform other oversight functions determined by the Board. • Consider any other matter requested by the Board.
CONCLUSION	ARC complied with its Terms of Reference and Section 94 of the Companies Act.

ATTENDANCE: AUDIT AND RISK COMMITTEE

NAMES	25 May 2018	17 Jul 2018	26 Jul 2018	08 Oct 2018	22 Oct 2018	19 Feb 2019
Ms Tantaswa Fubu	✓	✓	Apology	Resigned 30 July 2018		
Ms Mathukana Mokoka	✓	✓	✓	✓	✓	✓
Ms Lindiwe Toyi	✓	✓	✓	✓	✓	Resigned 9 Feb 2019
Ms Sandra Beswick	✓	✓	✓	✓	✓	Apology
Ms Sibusisiwe Zulu	✓	✓	✓	✓	Apology	✓

SOCIAL AND ETHICS COMMITTEE

MEETINGS HELD	Six meetings were held during the year
MEMBERSHIP	• Ms Lindiwe Toyi • Ms Mathukana Mokoka • Mr Pitsi Moloto • Dr Xolani Mkhwanazi • Dr Claudia Manning • Ms Tantaswa Fubu • Dr Daniel Matjila • Ms Matshepo More • Mr Brian Mavuka (Acting Chief Financial Officer from 26 November 2018)
PURPOSE	Assist the Board to ensure that the company is a socially committed corporate citizen. The Committee shall achieve its purpose by, *inter alia*, ensuring that the company conducts its operations in a manner that meets existing needs without knowingly compromising the ability of future generations to meet their needs, and advise it on the effectiveness or otherwise of management's efforts in social and economic development, corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment as well as other matters falling within the Committee's mandate.
KEY ACTIVITIES	**Social and economic development, including the PIC's standing in terms of the goals and purposes of:** • The 10 Principles set out in the United Nations Global Compact (UNGC); • Organisation for Economic Cooperation and Development (OECD) recommendations on corruption. • Employment Equity Act, No 55 of 1998. • Good corporate citizenship, including that of the company; • Promotion of equality, prevention of unfair discrimination and reduction of corruption. • Contribution to development of the communities in which its activities are predominately conducted or within which its products or services are predominately marketed. **Monitored:** • Reputational issues. • Changes in the workforce composition in response to changes in labour legislation. • Ongoing oversight of stakeholder relationships. **Reviewed:** • Policies, frameworks and guidelines within the functions of the committee. • Black economic empowerment scorecard and regulatory landscape. • Diversity and inclusion progress. • Key organisational health indicators, such as talent attraction, acquisition, employee turnover and process improvements. • Regular updates on legislation on leadership, disability, graduate and leadership programme; • Updates on bursary funding internal and external applicants. • Framework for compliance with relevant global standards, 10 Principles of UNGC, OECD recommendations on corruption. • Updates on the company's impact on the environment, e.g. water, energy, construction waste and confidential waste.
CONCLUSION	SEC fulfilled the statutory duties of Regulation 43 of the Companies Act and its Terms of Reference. SEC will continue with its focus on reputational damage, organisational ethics, good corporate citizenship, stakeholder relationships, and labour and employment matters.

ATTENDANCE: SOCIAL AND ETHICS COMMITTEE						
NAMES	7-May 2018	8 Jun 2018	9 Jul 2018	4 Oct 2018	12 Oct 2018	11 Feb 2019
Ms Lindiwe Toyi	✓	✓	✓	✓	✓	
Ms Mathukana Mokoka	✓	✓	✓	✓	✓	✓
Mr Pitsi Moloto	✓	Apology	✓	✓	✓	✓
Dr Xolani Mkhwanazi	✓	Apology	Apology	Apology	✓	✓
Ms Claudia Manning	✓	✓	✓	Resigned 22 July 2018		
Ms Tantaswa Fubu	Apology	✓	Apology	Resigned 30 July 2018		
Dr Daniel Matjila	Apology	Apology	✓	✓	✓	Resigned 23 Nov 2018
Ms Matshepo More	Maternity leave	Apology	✓	✓	Apology	✓
Mr Brian Mavuka (Acting Chief Financial Officer)	Acting Chief Financial Officer from 26 November 2018					✓

INVESTMENT COMMITTEE

MEETINGS HELD	22 meetings were held during the year
MEMBERSHIP	• Dr Xolani Mkhwanazi • Dr Trueman Goba • Ms Dudu Hlatshwayo • Ms Lindiwe Toyi • Ms Sibusisiwe Zulu
PURPOSE	• The Board has delegated to the IC its responsibilities for and role in terms of PIC's the Investment Mandate and Strategy. IC's decision-making powers are provided by the Board through the Delegation of Authority Framework and approved policies. • Assist the Board to discharge its statutory duties and its oversight responsibilities in Listed and Unlisted (including Properties) investment activities. • Consider and approve investment policies, investments proposed by PIC Management and the FIPs, and make recommendations to the Board in line with the Delegation of Authority Framework. • Monitor investment mandates, policy, strategy and implementation for all investments managed by the PIC.
KEY ACTIVITIES	Ensured that: • Responsible investment is practised to promote good governance and the creation of value by the PIC and its investee companies. • Investments, disposals and acquisitions (Listed, Unlisted and Properties) are in line with the PIC's overall strategy and comparable to similar transactions in the market. • Appropriate due diligence procedures are followed when acquiring or disposing of assets; • Planning and forecasting are done to enable the Board to make informed decisions on major investment matters. • Investments/divestments increased Shareholder value and met the PIC's financial and Environmental, Social and Governance criteria. • Recommendations were made to the Board on further action for these investments/ divestment opportunities. • Other investment-related functions determined by the Board from time to time, are performed in line with the Investment Strategy.

KEY ACTIVITIES	• Made recommendations to the Board it deems appropriate on any area in its authority where action or improvement is needed. • Considered the provisions of the Companies Act, read with the Companies Act Regulations, the PIC Act, the approved Delegation of Authority Framework, King IV, Competition Laws and any other legislation and regulations. • Reviewed and recommended to the Board, the Investment Policy and Strategy in terms of depositors funds. • Provided oversight on the implementation of investment decisions. • Monitored performance of the Listed and Unlisted Investments at least bi-annually. • Reported on IC activities to the Board, on issues relating to the investment of depositors funds. • Reviewed and evaluated policies and procedures that PIC Management has implemented to monitor compliance with client mandates. • Provided oversight on the implementation of client mandates by receiving PIC Management's quarterly reports, including regulatory requirements under FAIS, the PFMA and the Financial Markets Act, 2012, No 19 of 2012. • Reported quarterly to the Board on investment of funds under management. • Considered and approved investments, acquisitions and divestments in line with the Delegation of Authority Framework. • Reviewed and evaluated investments, acquisitions and divestments on receipt of recommendations tabled by PIC Management. • Reviewed the deal approval process, policies and criteria annually. • Considered the establishment, adjustment or deletion of limits and counterparty approvals, and the scope of financial instruments to be used in the management of the PIC's investments. • Reviewed credit limits with banks in line with client mandates. • Ensured that risk management (both commercial and reputational) is incorporated in all investment recommendations and decisions. • Referred all investments with high-potential reputational risk issues to SEC for consideration. • Governed compliance with laws and adopted, non-binding rules, codes and standards in a way that will ensure that investments are made ethically. • Approved the criteria and process for the selection of external investment managers (third party fund managers) and submitted notification of approval to the Board. • Approved the process for establishing the mandates of external investment managers. • Approved the process for monitoring external investment managers. • Evaluated performance of external investment managers. **Fund Investment Panels (FIPs)** FIPs have the authority to deliberate and make investment decisions on Unlisted Investments (including Properties) and acted in accordance with, and subject to, the authority, directives and requirements laid down by the Board and IC. **FIPs-related activities:** • Receiving reports from FIPs Chairpersons on matters dealt with at FIP meetings. • Receiving quarterly reports on the activities of the FIPs on Unlisted Investments (including Properties). • Approving all valuations on property investments (directly and indirectly held properties). • Approving all valuations of Isibaya Fund Investments (legacy and new portfolio).

CONCLUSION	- The IC complied with its terms of performance and approved deals that are aligned with depositor's funds and funds under management. - It reviewed and referred all investments with potential high reputational risk to the SEC for consideration. - Approved the selection of External Investments Managers and monitored their performance. - Approved and recommended all investments valuations (Directly and Indirectly Held Properties) as well as Isibaya Fund investments (Legacy and new portfolio).

ATTENDANCE: INVESTMENT COMMITTEE

NAMES	10 Apr 2018	24 Apr 2018	8 May 2018	24 May 2018	30 May 2018	18 Jun 2018	22 Jun 2018	12 Jul 2018	8 Aug 2018	22 Aug 2018	5 Sep 2018	4 Oct 2018	16 Oct 2018	31 Oct 2018	8 Nov 2018	4 Dec 2018	23 Jan 2019	13 Feb 2019	21 Feb 2019	22 Feb 2019	13 Mar 2019	19 Mar 2019
Dr Xolani Mkhwanazi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dr Trueman Goba	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	A	✓	✓	A	✓	✓	✓
Ms Dudu Hlatswayo	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓
Ms Sibusisiwe Zulu	A	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Lindiwe Toyi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Resigned 9 February 2019				
Dr Claudia Manning	✓	✓	✓	✓	✓	✓	✓	✓	Resigned 30 July 2018													
Ms Matshepo More	A	A	A	A	Maternity leave						✓	A	✓	✓	A	✓		✓	✓	✓	✓	✓
Mr Brian Mavuka	Acting Chief Financial Officer from 26 November 2018															✓	✓	✓	✓	✓	✓	✓
Dr Daniel Matjila	✓	A	A	A	✓		✓	✓	✓	A	✓		✓	A	✓	Resigned 23 November 2018						

A - Apology

SOCIAL AND ECONOMIC INFRASTRUCTURE AND ENVIRONMENTAL SUSTAINABILITY FUND INVESTMENT PANEL (SEIES FIP)

MEETINGS HELD	Two meetings were held during the year
MEMBERSHIP	• Ms Sibusisiwe Zulu • Dr Xolani Mkhwanazi • Ms Sandra Beswick • Ms Lindiwe Toyi • Mr Pitsi Moloto • Dr Daniel Matjila • Ms Matshepo More • Mr Brian Mavuka (Acting Chief Financial Officer from 26 November 2018)
PURPOSE	SEIES FIP: • Assist IC to discharge its duties and its oversight responsibilities on Unlisted Investment activities in the following pillars: Social infrastructure, economic infrastructure and environmental sustainability. • Consider, approve and/or recommend policies and investments proposed by PIC Management in accordance with the Delegation of Authority Framework. • Monitor investment mandates, policy, strategy and implementation of all investments managed by the PIC.
KEY ACTIVITIES	• Deliberated and made investment decisions on Unlisted Investments and acting in accordance with, and subject to, the authority, directives and requirements laid down by IC. • Made investment decisions for Unlisted Investments in accordance with the approved Private Placement Memorandums (PPMs), clients' mandates and the Delegation of Authority Framework. • Oversaw the implementation of investment decisions. • Monitored the performance of the Unlisted Investments portfolio quarterly. • Provided reports to IC on matters dealt with at its meetings and on its activities in Unlisted Investments. • Investigated and/or researched any activities within the scope of responsibilities set out in the SEIES FIP Terms of Reference.
CONCLUSION	The SEIES FIP complied with its Terms of Reference and made investment decisions (approvals) for Unlisted Investments in accordance with the approved PPMs and clients' mandate.

ATTENDANCE: SEIES FIP		
NAMES	27 Jun 2018	5 Nov 2018
Ms Sibusisiwe Zulu	✓	Apology
Ms Sandra Beswick	✓	✓
Mr Pitsi Moloto	✓	✓
Ms Lindiwe Toyi	✓	✓
Dr Xolani Mkhwanazi	Apology	✓
Dr Daniel Matjila	✓	✓
Ms Matshepo More	✓	✓

PRIVATE EQUITY, PRIORITY SECTOR, SMALL MEDIUM ENTERPRISE FUND INVESTMENT PANEL (PEPSS FIP)

MEETINGS HELD	Seven meetings were held during the year
MEMBERSHIP	• Ms Dudu Hlatshwayo • Dr Xolani Mkhwanazi • Ms Mathukana Mokoka • Ms Sandra Beswick
PURPOSE	• Assist IC to discharge its responsibilities for Unlisted Investments. • Consider and approve, in line with the Delegation of Authority (DoA) Framework and approved policies, Unlisted Investments proposed by PIC Management and make recommendations to IC. • Monitor investment mandates, policies, strategy and implementation of Unlisted Investments managed by the PIC.
KEY ACTIVITIES	• Considered and approved policies and Unlisted Investments proposed by Management, making recommendations to IC in line with the DoA Framework. • Monitored investment mandates, policy, strategy and implementation of Unlisted Investments managed by the PIC. • Investigated and/or researched activities in the scope of responsibilities set out in the Terms of Reference. • Made investment decisions (approvals) for Unlisted Investments in accordance with the approved PPMs or PIC clients' mandates and the approved DoA Frameworks. • Monitored performance of Unlisted Investments quarterly. • Oversaw the implementation of PPMs by receiving PIC management's quarterly reports, including regulatory requirements under the FAIS Act, PFMA and the Financial Markets Act, No 19 of 2012.
CONCLUSION	The PEPSS FIP complied with its Terms of Reference, made investment decisions (approvals) in the priority sector, in accordance with the approved PPMs and client's mandate.

ATTENDANCE: PEPSS FIP							
NAMES	2 May 2018	25 Jun 2018	12 Jul 2018	14 Aug 2018	5 Nov 2018	14 Dec 2018	11 Mar 2019
Ms Dudu Hlatshwayo	✓	✓	✓	✓	✓	✓	Apology
Dr. Xolani Mkhwanazi	Apology	✓	✓	✓	✓	✓	✓
Ms Sandra Beswick	✓	✓	✓	✓	✓	✓	✓
Ms Mathukana Mokoka	✓	✓	✓	✓	✓		✓
Dr Daniel Matjila	Apology	✓	✓	✓	Apology	Resigned 23 November 2018	
Ms Matshepo More	Maternity leave						✓
Mr Brian Mavuka	Acting Chief Financial Officer from 26 November 2018					✓	✓

PROPERTY FUND INVESTMENT PANEL (PROP FIP)

MEETINGS HELD	Six meetings were held during the year
MEMBERSHIP	• Dr Trueman Goba • Mr Pitsi Moloto • Ms Sibusisiwe Zulu • Ms Mathukana Mokoka • Dr Daniel Matjila • Ms Matshepo More • Mr Brian Mavuka (Acting Chief Financial Officer from 26 November 2018)
PURPOSE	• Assist IC to discharge its responsibilities for Unlisted Property Investments. • Consider and approve property investments proposed by PIC Management and make recommendations to IC in line with the DoA Framework. • Monitor the investment mandates, policy, strategy and implementation of all property investments managed by the PIC.

KEY ACTIVITIES	• Ensured that investment was responsible investment to promote the good governance and the creation of value by the PIC and its Investee Companies. • Ensured that investments, disposals, developments and acquisitions in properties are in line with the PIC's overall strategy and comparable to similar transactions in the market. • Ensured that investments/divestments increased Shareholder value and met the PIC's financial and Environmental, Social and Governance criteria. • Monitored the reporting of risk management, including identification of significant risks or exposures and the appropriateness of steps to reduce risks to a level acceptable to the PROP FIP. • Considered and recommended to ARC, through IC, operational/property investments/ property asset write-offs. • Considered and approved all property annual budgets in line with the Delegation of Authority Framework. • Made recommendations to IC on further action on investments/divestment opportunities. • Performed other investment-related functions determined by IC from time to time, in line with the Property Investment Strategy. • Made recommendations to IC on any area in its authority where action or improvement is needed. • Provided oversight on the implementation of investment decisions. • Monitored performance of property investments quarterly. • Reported on the property investment activities of the Property FIP to IC and Board. • Considered and approved investments, developments, acquisitions and divestments in line with the Delegation of Authority Framework. • Ensured that risk management (both commercial and reputational) is incorporated in all investment recommendations and decisions. • Referred all investments with high-potential reputational risk to SEC for consideration. • Governed compliance with laws and adopted non-binding rules, codes and standards to ensure ethical investments. • PROP FIP reviewed the findings and recommendations of the internal auditors, identified significant risks to the Properties department and ensure that remedial steps were taken.
CONCLUSION	The PROP FIP complied with its Terms of Reference and approved all property investments, acquisitions and disposals including winding up, development and refurbishments of properties in line with approved DoA framework.

ATTENDANCE: PROPERTY FUND INVESTMENT PANEL

NAMES	3 May 2018	26 Jun 2018	15 Aug 2018	28 Sep 2018	5 Nov 2018	14 Feb 2019
Dr Trueman Goba	✓	✓	Apology	✓	✓	✓
Mr Pitsi Moloto	✓	✓	✓	✓	✓	✓
Ms Sibusisiwe Zulu	✓	✓	✓	✓	✓	Apology
Ms Mathukana Mokoka	✓	✓	✓	✓	✓	✓
Ms Matshepo More	Maternity leave			✓	✓	Apology
Dr Daniel Matjila	Apology	X	Apology	✓	✓	Resigned 23 November 2018
Mr Brian Mavuka	Acting Chief Financial Officer from 26 November 2018					✓

HUMAN, RESOURCES AND REMUNERATION COMMITTEE

MEETINGS HELD	Nine meetings were held during the year
MEMBERSHIP	• Dr Trueman Goba • Ms Dudu Hlatshwayo • Ms Sandra Beswick • Ms Mathukana Mokoka • Mr Pitsi Moloto
PURPOSE	Assists the Board in fulfilling its fiduciary duties and governance responsibilities in creating and/or monitoring values-based systems and policies to ensure that the organisation is adhering to all relevant legislation and certain best business practices for employees, and creating an attractive environment for current and prospective employees.
KEY ACTIVITIES	• Recommended to the Board a Remuneration Policy for responsible and transparent remuneration. • Recommended the submission of the Remuneration Policy for EXCO members to the Shareholder for approval when there are amendments. • Ensured alignment of the remuneration strategy and policy with the PIC's business strategy, desired culture, stakeholder interest and commercial wellbeing. • Determined remuneration packages to attract, retain and motivate high-performing employees, while avoiding paying more than necessary. • Considered the remuneration of comparable organisations and included a balance between guaranteed and performance-based remuneration. • Recommended risk-based monitoring of performance bonus pools to ensure that remuneration policies do not encourage behaviour contrary to the PIC's risk management strategy. • Reviewed and made recommendations to the Board on the corporate balanced scorecard for the current and upcoming year, against which qualification for performance bonus awards/payments will be measured. • Scrutinised all benefits, including pensions, healthcare funding and other financial arrangements, to ensure they are justified, correctly valued and suitably disclosed, and made recommendations to the Board. • Considered evolving and changing methods of remunerating Executive Directors and Executive Heads and retirement and/or pension fund and termination payments.
CONCLUSION	The Committee complied with its Terms of Reference and ensured that the organisation remunerates fairly, responsibly and transparently to achieve strategic objectives and positive outcomes in the short-, medium- and long term.

ATTENDANCE: HUMAN RESOURCES AND REMUNERATION COMMITTEE

NAMES	14 May 2018	21 Jun 2018	10 Jul 2018	28 Aug 2018	15 Nov 2018	25 Jan 2019	11 Feb 2019	12 Feb 2019	7 Mar 2019
Dr Trueman Goba	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Dudu Hlatshwayo	✓	A	✓	✓	✓	✓	A	A	✓
Ms Sandra Beswick	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ms Mathukana Mokoka	✓	✓	✓	✓	✓	✓	✓	A	✓
Mr Pitsi Moloto	✓	A	✓	✓	✓	A	✓	✓	A

A - Apology

INFORMATION, COMMUNICATION AND TECHNOLOGY GOVERNANCE COMMITTEE (ICTGC)

MEETINGS HELD	Five meetings were held during the year
MEMBERSHIP	• Dr Claudia Manning • Ms Sandra Beswick • Ms Dudu Hlatshwayo • Dr Daniel Matjila • Mr Pitsi Moloto • Ms Matshepo More • Dr Trueman Goba
PURPOSE	Assists the Board to oversee the development and implementation of an IT governance charter and policies that are integrated with the business strategy process and that sustain and enhance the PIC's strategic objectives, thereby improving the PIC's performance and sustainability.
KEY ACTIVITIES	• Oversaw implementation of IT processes and governance mechanisms, IT frameworks, policies, procedures and standards, ensuring IT governance alignment with corporate governance (King Report). • Reviewed the information security strategy (including information security, information management and information privacy) and PIC Management's implementation of the strategy. • Ensured that processes were in place to enable complete, timely, relevant, accurate and accessible IT reporting, firstly from PIC Management to Board, and secondly by the Board in the Integrated Annual Report. • Governed technology and information in a way that supports the organisation setting and achieving its strategic objectives. • Assumed responsibility for governance and information by setting the direction for how technology and information should be approached and addressed in the organisation. • Approved policies that directs the use of technology and information. • Delegated to manage the responsibility for implementing and executing effective technology management. • Exercised ongoing oversight of technology and information management and, in particular: - Integration of people, technologies, information and processes across the organisation; - Integration of technologies and information risks into organisation-wide risk management; - Arrangements to provide for business resilience; - Intelligence to identify and respond to incidents, including cyberattacks and adverse social media events; - Performance of, and the risks of, third-party and outsourced service providers; - Value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure; - Responsible disposal of obsolete technology and information, considering environmental impact and information security; - Ethical and responsible use of technology and information; and - Compliance with relevant laws.

	• Exercised ongoing oversight of the management of information, in particular: - The leveraging of information to sustain and enhance the organisation's intellectual capital; - Information architecture that supports confidentiality, integrity and availability of information; - Protection of privacy of personal information; and - Security of information. • Exercised ongoing oversight of the management of technology, in particular: - Technology architecture enabling the achievement of strategic and operational objectives; - Management of risks pertaining to the sourcing of technology; and - Appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model.
CONCLUSION	ICTGC considered the need to receive periodic independent assurance on the effectiveness of the organisation's technology and information arrangements, including outsourced services. **The following was disclosed:** • Overview of arrangements for governing and managing technology and information. • Key areas of focus during the reporting period, including objectives, significant acquisitions and remedial actions taken as a result of major incidents. • Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed. • Planned areas of focus.

ATTENDANCE: INFORMATION, COMMUNICATION AND TECHNOLOGY GOVERNANCE COMMITTEE

NAMES	7 May 2018	3 Jul 2018	15 Oct 2018
Dr Claudia Manning	✓	✓	Resigned 22 July 2018
Ms Sandra Beswick	✓	✓	✓
Ms Dudu Hlatshwayo	✓	✓	✓
Dr Trueman Goba	✓	✓	✓
Mr Pitsi Moloto	✓	✓	✓
Dr Daniel Matjila	Apology	✓	Apology
Ms Matshepo More	Maternity leave		Apology

Interim Board of Directors

In view of the developments within the PIC that resulted in the resignation of the Board en masse, the Minister of Finance, Mr Tito Mboweni, our sole Shareholder representative, appointed an interim Board on 12 July 2019. The following are the newly appointed interim Board members:

DR REUEL KHOZA
CHAIRPERSON

POSITIONS
- Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Directors' Affairs Committee

QUALIFICATIONS
- Chartered Director (CD SA)
- Engineering Doctorate in Business Leadership
- Doctorate of Economics (honoris causa)
- Doctorate of Laws (honoris causa)
- Master of Arts in Marketing
- Bachelor of Arts in Psychology (Honours)

MS SINDI MABASO-KOYANA
DEPUTY CHAIRPERSON

POSITIONS
- Deputy Chairperson of the Board
- Independent Non-Executive Director
- Chairperson of the Audit Committee (AC)

QUALIFICATIONS
- Chartered Accountant (SA)
- Postgraduate Diploma in Accounting
- Bachelor of Commerce
- Diploma in Introduction to Mining

OTHER COMMITTEE
- DAC

INTERIM BOARD OF DIRECTORS

MS IRENE CHARNLEY

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Information Communication and Technology Governance Committee

QUALIFICATION

- Management Advance Programme

OTHER COMMITTEES

- DAC
- IC

DR ANGELO DAVID SABELO DE BRUYN

POSITION

- Independent Non-Executive Director

QUALIFICATIONS

- Bachelor of Medicine and Bachelor of Surgery (cum laude)
- Diploma in Advanced Health Services Management

OTHER COMMITTEES

- HRRC
- ICTGC
- IC

PROF BONKE DUMISA

POSITION

- Independent Non-Executive Director

QUALIFICATIONS

- Doctor of Business Administration
- Master of Business Administration
- Master of Science in Industrial Relations and Personnel Management
- Master of Laws
- Bachelor of Commerce (Honours)
- Bachelor of Commerce in Accounting

OTHER COMMITTEES

- AC
- IC

INTERIM BOARD OF DIRECTORS

MR IVAN FREDERICKS

POSITION
- Independent Non-Executive Director

QUALIFICATION
- Advanced Diploma in Labour Law

OTHER COMMITTEES
- RC (Risk Committee)
- HRRC

MR BHEKITHEMBA GAMEDZE

POSITIONS
- Independent Non-Executive Director
- Chairperson of the Investment Committee

QUALIFICATIONS
- Master of Science (Mathematics)
- Bachelor of Arts (Honours)

OTHER COMMITTEE
- DAC

MR MUGWENA MALULEKE

POSITION
- Independent Non-Executive Director

QUALIFICATIONS
- Master in Business Management
- Master in Labour Law
- Bachelor of Arts
- Primary Teachers Diploma

OTHER COMMITTEES
- SETC
- IC

INTERIM BOARD OF DIRECTORS

DR XOLANI MKHWANAZI

POSITION
- Independent Non-Executive Director

QUALIFICATIONS
- Doctor of Philosophy (Applied Physics)
- Master of Science (Applied Physics)
- Bachelor of Science (Maths and Physics)

OTHER COMMITTEES
- SETC
- IC

MS TSHEPISO MOAHLOLI

POSITION
- Independent Non-Executive Director

QUALIFICATIONS
- Executive Master in Business Administration
- Master of Economics Science (cum laude)

OTHER COMMITTEES
- AC
- RC
- SETC

MR PITSI MOLOTO

POSITION
- Independent Non-Executive Director

QUALIFICATIONS
- Master in Business Administration
- Master in City Planning

OTHER COMMITTEES
- RC
- HRRC
- ICTGC

INTERIM BOARD OF DIRECTORS

ADV MAKHUBALO NDABA

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Human Resources and Remuneration Committee

QUALIFICATIONS

- Master of Laws in Employment Law
- Bachelor of Laws
- B Juris

OTHER COMMITTEES

- DAC
- SETC

MS MARIA RAMOS

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Risk Committee

QUALIFICATIONS

- Master of Science (Economics)
- Bachelor of Commerce (Honours)
- Bachelor of Commerce
- Institute of Bankers Diploma (CAIB)

OTHER COMMITTEES

- DAC
- HRRC

MS BARBARA WATSON

POSITIONS

- Independent Non-Executive Director
- Chairperson of the Social, Ethics and Transformation Committee (SETC)

QUALIFICATION

- Bachelor of Social Science

OTHER COMMITTEES

- DAC
- IC

INTERIM BOARD OF DIRECTORS

MR VUYANI HAKO

POSITIONS

- Acting Chief Executive Officer from 21 March 2019
- Executive Director
- Executive Head: Properties

QUALIFICATIONS

- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

OTHER COMMITTEES

- DAC
- SETC
- ICTGC
- IC

MR BRIAN MAVUKA

POSITIONS

- Acting Chief Financial Officer from 26 November 2018
- Executive Director
- General Manager: Finance

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor

OTHER COMMITTEES

- SETC
- ICTGC
- IC

Executive Committee

The Chief Executive Officer (CEO), who is also an Executive Director, is responsible for the day-to-day management of the PIC in line with the Board approved Delegation of Authority (DoA) framework and the strategic direction set by the Board. The CEO is assisted by an Executive Committee (EXCO), whose primary function is to assist the CEO to effectively discharge his/her statutory duties in managing the PIC. The EXCO is governed by all applicable laws as well as approved Terms of Reference.

EXCO has established Sub-Committees in line with the investment strategy to instill a culture of compliance and good governance and to ensure that the PIC's governance processes and affairs are conducted with accountability, transparency, fairness and prudence. This ensures effective implementation of the PIC's mandate, collective robust decision-making and management of the affairs of the PIC. The Committees that support the investment strategy of the PIC are the Portfolio Management Committee (PMC) Unlisted Investments (for all Unlisted and Property Investments), and PMC Listed Investments (for all listed investments).

Each Sub-Committee operates in accordance with an EXCO-approved Terms of Reference, the DoA and approved Policies. The Terms of Reference are reviewed on an annual basis.

DR DANIEL MATJILA

POSITIONS
- Chief Executive Officer
- Executive Director

QUALIFICATIONS
- Doctor of Philosophy in Mathematics
- Master of Science in Applied Mathematics
- Postgraduate Diploma in Mathematical Finance
- Bachelor of Science (Honours) in Applied Mathematics

DIRECTORSHIPS
- Non-Executive Director on the Board of Ecobank Transnational Incorporated
- Non-Executive Director on the Board of Capital Appreciation Ltd
- Non-Executive Director on the Board of SA SME Fund

DATE RESIGNED
23 November 2018

*MATSHEPO MORE

POSITIONS
- Acting Chief Executive Officer from 24 November 2018
- Chief Financial Officer
- Executive Director

QUALIFICATIONS
- Chartered Accountant (SA)
- Certificate in the Theory of Accounting
- Bachelor of Business Science (Finance)
- Accredited SAICA Assessor

DIRECTORSHIPS
- Non-Executive Director on the Board of Association of Black Accountants
- Non-Executive Director on the Board of Industrial Development Corporation South Africa
- Non-Executive Director on the Board of GEPF MoZ
- Non-Executive Director on the Board of Jordiflo
- Member of the V&A Property Committee
- Member of the Audit and Risk Committee of V&A Waterfront

** Precautionary suspension from 20 March 2019*

CANDACE ABRAHAMS

POSITION

Acting Executive Head: Risk from 06 March 2018 to 14 April 2019

QUALIFICATIONS

- Master of Business Administration
- Bachelor Of Commerce (Finance & Business Information Systems)
- Certificate in Strategic Leadership (IWF GIBS Program)
- Certified Risk Analyst (IABFM)

LINDIWE DLAMINI

POSITION

Acting Executive Head: Legal Counsel, Governance and Compliance from 23 January 2019

QUALIFICATIONS

- LLM - Masters in Corporate Law
- LLB Degree
- Certificate in Advanced Company Law 2
- Certificate in Advanced Company Law 1
- Certificate in Law of Banking and Financial Markets
- Certificate in Financial Markets and Securities lending

SHOLTO DOLAMO

POSITION

Executive Head: Research and Project Development

QUALIFICATIONS

- Master of Business Administration
- Master of Science (Engineering)
- Bachelor of Science (Chemistry)

DIRECTORSHIPS

- Non-Executive Director on the Board of Bauba Platinum
- Non-Executive Director on the Board of Sphere Holdings (Pty) Ltd

VUYANI HAKO

POSITIONS
- Acting Chief Executive Officer from 21 March 2019
- Executive Director
- Executive Head: Properties

QUALIFICATIONS
- Master of Business Management and Administration
- Business Management and Administration (Honours)
- Bachelor of Science in Town and Regional Planning
- Property Development Programme
- Executive Leadership Programme

DIRECTORSHIPS
- Non-Executive Director on the Board of V&A Waterfront
- Non-Executive Director on the Board of Gateway Delta
- Non-Executive Director on the SAPOA Board

*FIDELIS MADAVO

POSITION
Executive Head: Listed Investments

QUALIFICATIONS
- Master of Social Science in Industrial and Administrative Sciences
- Bachelor of Science (Honours) in Chemical Engineering
- International Executive Development Programme

DIRECTORSHIPS
- Non-Executive Director on the Board of Dangote Cement PLC, Nigeria

** Precautionary suspension from 22 January 2019*

HORATIUS MALULEKA

POSITION
Acting Executive Head: Listed Investments from 23 January 2019

QUALIFICATIONS
- Chartered Accountant (SA)
- Bachelor of Accounting (Honours)
- Certificate in Theory of Accounting

DIRECTORSHIPS
- Non-Executive Director on the Board of Gro Bank
- Non-Executive Director on the Board of Lancaster Group
- Non-Executive Director on the Board of Concor Holdings
- Non-Executive Director on the Board of Amalooloo and Betrams
- Non-Executive Director on the Board of Siyanda Resources

BRIAN MAVUKA

POSITIONS

- Acting Chief Financial Officer from 26 November 2018
- Executive Director
- General Manager: Finance

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Commerce Accounting (Honours)
- Bachelor of Commerce Accounting
- Accredited SAICA Assessor

DIRECTORSHIP

- Non-Executive Director on the Board of CBS Group Holdings

MERVIN MULLER

POSITION

Executive Head: Private Equity and Structured Investment Products

QUALIFICATIONS

- Chartered Accountant (SA)
- Bachelor of Accounting Sciences (Honours)
- LLB Degree
- Certificate in the Theory of Accounting
- Accredited SAICA Assessor

DIRECTORSHIPS

- Non-Executive Director on the Board of Afgri Limited
- Non-Executive Director on the Board of Bayport Management Limited
- Non-Executive Director on the Board of Libstar Consumer Holdings (Pty) Ltd
- Non-Executive Director on the Board of Menlyn Maine Investment Holdings (Pty) Ltd

DATE RESIGNED

14 March 2019

PRECIOUS NYAMUGAMA

POSITION
Acting Executive Head: Information Technology from 20 November 2017

QUALIFICATIONS
- Master of Business Administration
- Bachelor Of Science in Computer Science
- Certified Project Management Professional
- Certificate in Chief Information Officer Practice
- Certified Information Security Manager (CISM)
- Certified in the Governance of Enterprise IT
- Certified in Risk and Information Systems Control
- Certified in COBIT; ITIL, Togaf
- Advanced Bookkeeping & Accounting

DIRECTORSHIP
Non-Executive Director on the Board of Zarah

CHRIS PHOLWANE

POSITION
Executive Head: Human Resources

QUALIFICATIONS
- Bachelor of Administration
- Secondary Teachers Diploma
- International Executive Development Programme
- Certified Talent Economist

ROY RAJDHAR

POSITIONS
- Executive Head: Impact Investments
- Acting Executive Head: Private Equity and SIPs from 23 April 2019

QUALIFICATIONS
- Chartered Accountant (SA)
- Bachelor of Accounting Sciences
- Post-graduate Diploma in Accounting (CTA)
- Higher Diploma in Tax Law
- Certificate in Advanced Company Law

DIRECTORSHIPS
- Non-Executive Director on the Board of SA Homeloans (Pty) Ltd
- Non-Executive Director on the Board of SAHL Investment Holdings (Pty) Ltd
- Non-Executive Director on the Board of S&S Refineries De Oloeos LDA (Mozambique)
- Non-Executive Director on the Board of Daybreak Farms (Pty) Ltd
- Non-Executive Director on the Board of South African Housing Development Fund (Pty) Ltd

WINNIFRED SETSHEDI

POSITION

Acting Executive Head: Legal Counsel, Governance and Compliance from 16 April 2018 to 21 January 2019

QUALIFICATIONS

- Admitted Attorney of the High Court of South Africa
- Higher Diploma in Taxation Law
- Certificate in Investment and Finance
- Diploma in Corporate Law
- Bachelor of Arts (Law)
- Bachelor of Laws
- Certificate in Advanced Company Law I & II
- Euromoney Legal Training: African School for International Financial Law
- Euromoney Legal Training: Loan Documentation & Advanced Loan Documentation
- Certificate in Intellectual Property
- Certificate in Commercial Law Practice

RUBEENA SOLOMON

POSITION

Executive Head: Investment Management - ESG and PMV

QUALIFICATIONS

- Master of Business Administration
- Bachelor Of Commerce (Honours)
- Bachelor Of Commerce
- Certificate in Corporate Governance
- Higher Certificate in Islamic Banking and Finance Law

DIRECTORSHIPS

- Non-Executive Director on the Board of AfriOil
- Non-Executive Director on the Board of Trust for Urban Housing Finance (TUHF)

Report of the Audit and Risk Committee

The Audit and Risk Committee (ARC) is a Statutory Board Committee that performs its oversight functions in line with the prescribed legislation.

COMPOSITION

The PIC ARC comprises five independent Non-Executive Directors, all of whom are members of the Board. The ARC has an appropriate mix of relevant knowledge and experience in terms of Regulation 42 of the Companies Act. Members' names and qualifications are detailed in the Board of Directors section of this Integrated Annual Report on pages 148 to 152. A summary of attendance, standing invitees and key focus areas of the Committee for the period under review are included on pages 156 to 159 of this Report.

FREQUENCY AND ATTENDANCE OF COMMITTEE MEETINGS

The terms of reference provide for the ARC to meet at least four times per year. Further meetings are held as required. Details of the attendance of these meetings by the Committee members are provided on page 159 of the Report.

In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Executive Head: Risk Management, Executive Head: Information Technology, Executive Head: Legal Counsel, Governance and Compliance, Head: Internal Audit; Company Secretary and the external auditors attend meetings of the Committee by invitation.

ROLES AND RESPONSIBILITIES

The ARC acts in terms of the delegated authority of the Board and is mandated in terms of its approved terms of reference to perform, among others, the following duties:

- Promote and report on the overall effectiveness of the company's internal controls;
- Oversee the mandates of and ensure coordination between the activities of the internal and external auditors;
- Satisfy the Board that material financial and other risks have been identified and are being effectively managed and monitored;
- Assess the impact of the general control environment on the statutory audit, and report any perceived control weaknesses;
- Review legal and regulatory matters that could have a significant impact on the PIC's financial statements;
- Monitor the integrity of the PIC's integrated reporting processes;
- Annually review the expertise, appropriateness and experience of the finance function and the Chief Financial Officer;
- Annually review the Committee's terms of reference and make recommendations to the Board to ensure its continued effectiveness;
- Monitor compliance with the PIC's Code of Conduct; consider significant breaches of the Code; review the Code from time to time and advise on any amendments; and
- Review systems, including the whistleblower programme that enables employees and other stakeholders to raise concerns about possible improprieties, including fraud.

ACTIVITIES AND DISCHARGE OF DUTIES DURING THE YEAR UNDER REVIEW

GENERAL

The Committee can confirm that there were no complaints of substance about the application of accounting policies, the internal audit process, the auditing or content of the Annual Financial Statements (AFS) for the financial year ended 31 March 2019, and internal financial controls during the year under review.

ANNUAL FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND GOING-CONCERN ASSESSMENT

The Committee received reports on the amendment and changes to International Financial Reporting Standards (IFRS) and the implications thereof for the PIC prior to evaluating and recommending the AFS to the Board. The ARC satisfied itself that reporting and the PIC's accounting policies were aligned thereto.

After reviewing the accounting policies and the AFS of the PIC, the Committee was satisfied that these are compliant with the provisions of the PFMA, the Companies Act, IFRS and best practice. The ARC further concurred with management's recommendation and adopted the going-concern basis to prepare the AFS. Based on the forecasts and available cash resources, the ARC has no reason to believe that the PIC will not be a going-concern in the near future.

The Committee, at its meeting held on 20 August 2019, recommended the adoption of the AFS by the Board in terms of Section 30(3) of the Companies Act and Section 55 of the PFMA.

PERFORMANCE MANAGEMENT

Treasury Regulation 29.3 requires the PIC to submit its Corporate Plan quarterly performance reports 30 days after the end of a quarter. Part of the Committee's responsibilities is the review of the PIC's performance against key strategic objectives included in the Corporate Plan.

In terms of the performance of the PIC, the ARC reviewed and/or commented on:

- Compliance with statutory requirements and performance management;
- Alignment of the budget, budget implementation and performance agreements;
- Relevance of indicators to ensure that they are measurable and relate to services performed by the PIC;
- Quarterly performance reports in compliance with reporting requirements;
- Quarterly performance reports for submission to the National Treasury; and
- The PIC's performance management system.

The ARC is satisfied that the report on the PIC's performance against key strategic objectives has been prepared in terms of the PFMA and the related Regulations.

EXTERNAL AUDITORS

The ARC is not involved in the appointment of external auditors for the PIC as it is a Schedule 3B PFMA entity. The PIC is audited by the Auditor-General in terms of the PFMA and the Public Audit Act, No 25 of 2004.

In terms of Section 94(7)(b) of the Companies Act, the Committee approved the audit fees pertaining to the audit of the Annual Financial Statements for the period ended 31 March 2019. The Committee further approved the engagement letter setting out the terms of the audit, taking into account the resources allocated and the timelines within which the process needs to be completed.

The Committee is satisfied that the audit function and audit team, as performed by the Auditor-General, are independent of the PIC; and that internal governance processes with the Office of the Auditor-General support and demonstrate the claim to independence.

The ARC confirms that it was actively involved throughout the audit process and was thoroughly appraised of the issues giving rise to the audit opinion. The Committee met with the audit team to ensure that there were no unresolved issues and acknowledges the diligence and cooperation of the audit team.

The ARC concurs with and accepts the conclusion and audit opinion of the external auditors on the annual financial statements. The Committee is comfortable that, given the implementation of effective and efficient controls, these matters should be adequately dealt with in future.

The Committee recommended the acceptance of the audited annual financial statements, read together with the report of the external auditors, to the Board.

INTERNAL AUDIT

The Accounting Authority is obliged in terms of Section 51(1)(a)(ii) of the PFMA, to ensure that the PIC has a system of internal audit under the control and direction of the ARC. The ARC is satisfied that the internal audit function properly discharged its functions and responsibilities, in terms of prevailing internal audit standards, the Internal Audit Charter and the Internal Audit Plan, during the year under review.

The PIC's Head of Internal Audit reports functionally to the ARC and administratively to the Chief Executive Officer. The internal audit function forms an integral part of the PIC's risk management process, system of internal control and leads the combined assurance coordination within the PIC.

The ARC reviewed the effectiveness of the internal audit function, taking into account responsibilities and resourcing. It approved the Internal Audit Charter and the Internal Audit Plan. Continuous monitoring was performed on adherence and implementation of the Charter and Plan.

In terms of the risk-based audit plan, the internal audit function performed all planned engagements for the

2018/19 financial year. Specific internal control weaknesses were identified during the year for which recommendations were made for improvement. The internal audit function, however, found that the PIC's control environment as a whole, was effective.

Both the internal and external auditors have unrestricted access to the ARC and the ARC Chairperson, ensuring that the auditors are able to maintain their independence.

FRAUD AND IRREGULAR ACTIVITIES

The Committee received and considered the reports from the internal audit function on investigations conducted, the nature of the incidents and the outcomes of the investigations. 'Whistleblowers', PIC's outsourced anonymous fraud hotline, enables employees and other stakeholders to raise concerns about possible improprieties, including fraud by employees. Fraud risk responses and initiatives are continuously evaluated and monitored to ensure that they are effective and adequate.

INTERNAL CONTROL

In terms of the evaluation of the adequacy and effectiveness of internal controls, the ARC received reports from both the internal and external auditors on audits conducted on the internal control environment.

The ARC noted concerns arising from both the internal and external reports, and considered the appropriateness of management's responses. Nothing was brought to the ARC's attention that would suggest a material breakdown of any internal control system. The Committee is, therefore, satisfied that the control environment and procedures are sound and functioning as intended, with opportunities identified for continuous improvements of controls to respond to the elements of fraud, wastage and abuse.

The PIC, as a service provider, is required to undergo an International Standard on Assurance Engagement (ISAE 3402) – Assurance Report on its computer control environment. The ARC considers these reports and addresses any risks identified.

The Committee, in terms of its oversight of the financial reporting risks of the PIC, confirmed through the various audit reports throughout the year, that sound financial controls are in place and that the fraud and IT risks as they relate to financial reporting, have been adequately addressed.

COMBINED ASSURANCE AND RISK MANAGEMENT OVERSIGHT

The PIC's control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute assurance that assets are safeguarded and that the risks facing the business are assessed and controlled. The PIC follows a combined assurance model to identify assurance providers on the risks to which the PIC is exposed.

The ARC recognises its important role as part of the risk management and corporate governance processes and procedures of the PIC. The ARC as such assisted the Board to discharge its duties on the integrated risk management process. The Committee satisfied itself that the level of unmitigated risks, both individually and in totality, is within the risk appetite of the PIC and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers.

As part of its combined assurance, the PIC adopts the three-lines of defense model, which comprises business, as the first line of defense, risk management as the second line of defense and internal audit as the third line of defense. In addition to this, the Board, regulators and external auditors carry out oversight. Throughout the period under review, these three lines regularly reported to the ARC on risk and risk mitigation. Annually, the Board engages with Management to understand and articulate the PIC's risk universe. Internal and external auditors co-ordinate their activities to ensure optimum audit coverage and minimal duplication of efforts.

The Committee is concerned with the risk function being understaffed, which will result in non-delivery if not addressed. The function was, for most of the period under review, headed by an Acting Executive Head. An Executive Head was subsequently appointed on a fixed-term contract for 12 months to alleviate the capacity constraints and to provide better leadership to the function.

The Committee was unable to hold a formal risk workshop with management during the period under review, but received periodic reporting of risk through the risk function and corporate level risk registers, which were tabled to the ARC and other relevant Board Committees for the oversight of risk and risk management. The periodic reviews consist of assessing the risk environment at the date of reporting, as well as comparing the trends in risk levels against those of prior reporting periods. These were complemented by the internal audit review process to provide the ARC with satisfactory assurance on the effectiveness of the control environment and the extent to which risk management is embedded within the PIC. The Committee is generally satisfied with the maturity of the risk management process.

ANNUAL INTEGRATED REPORTING

The ARC, in conjunction with the Social and Ethics Committee (SEC), reviewed the Integrated Annual Report for the year under review, considered all factors that may impact on the integrity of the Report and assessed its consistency with operational and other information known to the Committee. The ARC also reviewed and commented on the disclosure of sustainability issues raised in the Report to confirm that it is reliable and does not conflict with the financial information contained in the Report. The ARC can confirm that the Report conforms to the prevailing governance standards.

SOLVENCY AND LIQUIDITY REVIEW

The ARC is satisfied that the Board has:

- Adequately performed solvency and liquidity tests in terms of Section 4 of the Companies Act prior to declaring a dividend from revenue profits earned by the PIC Operations Fund to the Shareholder; and
- Reasonably concluded that the tests can be satisfied after the declaration and payment of the dividend, in line with Section 46 of the Companies Act.

EVALUATION OF FINANCE DIRECTOR AND FINANCE FUNCTION

Ms Matshepo More was the Chief Financial Officer of the PIC from 1 April 2018 until her appointment as Acting Chief Executive Officer on 23 November 2018. Ms Matshepo More was placed on precautionary suspension on 20 March 2019. Mr Brian Mavuka was appointed Acting Chief Financial Officer of the PIC on 26 November 2018.

The Committee reviewed the performance of the Chief Financial Officers and is satisfied that both of them possess the necessary expertise and experience to fulfil the role. Further, the Committee considered, and has satisfied itself of the appropriateness of, the expertise and experience of the finance function and the adequacy of resources employed in this function. Overall, the Committee is satisfied with the PIC's finance function during the year under review.

LEGAL AND REGULATORY MATTERS

The Committee received quarterly updates on legal matters and considered the risks associated with these matters, and their implications on the fair presentation of the PIC's financial statements.

BUSINESS INTEGRITY AND ETHICS

In terms of the Committee's oversight of the Policy on Fraud Prevention, detection and investigation, the Committee believed that Management has brought all fraud incidents reported through an independently managed hotline during financial year 2018/19, to the Committee's attention. The Committee ensured that these incidents were appropriately addressed in terms of Policy and prevailing legislation.

CONCLUSION

The Committee wishes to thank Management and the Board for their support and the teams from internal and external audit for their value-adding contributions.

Ms Sindi Mabaso-Koyana
Chairperson: Audit Committee

PART 05

ACCOUNTABILITY

CONTENTS

Report of the Auditor-General to Parliament on the Public Investment Corporation SOC Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the Public Investment Corporation SOC Limited (PIC) set out on pages 201 to 250, which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PIC as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code), parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my reasonable assurance engagement in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

7. As disclosed in note 22 to the financial statements, an unrealised material loss of R121 million was recognised from the investments on financial assets held at fair value through profit or loss.

Responsibilities of the board of directors for the financial statements

8. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the PIC ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes

my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

13. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

14. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

OBJECTIVES		PAGES IN THE ANNUAL PERFORMANCE REPORT
Objective 1	**Financial Sustainability:** Grow revenue and control costs to run a financially sustainable investment operation	18 – 19
Objective 4a	**Customer/Stakeholders:** Meet Client Benchmark Portfolio Returns and compliance with Client Risk Parameters	18 – 19
Objective 4b & c	**Customer/Stakeholders:** Generate excess returns over benchmark	20 – 21
Objective 4d	**Customer/Stakeholder:** Meet Client Benchmark Portfolio Returns	20 – 21
Objective 5a	**Customer/Stakeholder:** Contribute towards the growth and transformation of the economy through Impact Investments (Impact Investments)	22 – 23
Objective 5b	**Customer/Stakeholder:** Contribute towards the growth and transformation of the economy through Private Equity Investments and Structured Investment Products (SIPs)	22 –23
Objective 5c	**Customer/Stakeholder:** Contribute towards the growth and transformation of the economy through Unlisted Property Investments	22 –23
Objective 6	**Customer/Stakeholder:** Facilitate African regional integration through investments in the rest of the African continent (All asset classes)	22 –23
Objective 7a	**Customer/Stakeholder:** Facilitate Broad-Based Economic Empowerment and Skills Development through investment activities	24– 25
Objective 7b	**Customer/Stakeholder:** Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments (Impact Investments and Private Equity)	26 – 27
Objective 7c	**Customer/Stakeholder:** Drive and facilitate transformation through investments activities both in Listed and Unlisted Investments Subject to approval of client mandates (Unlisted Property Investments)	26 – 27

15. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the objectives.

Other matter

17. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Achievement of planned targets

18. Refer to the annual performance report on pages 18 to 27 for information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55 (1) (a) and (b) of the PFMA and section 29 (1) (a) of the Companies Act.
22. Material misstatements on disclosures of capital commitments, financial instruments and cash and cash equivalents identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

23. Some of the goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1) (a) (iii) of the PFMA. The instances of non-compliance related to deviations from the normal procurement process as a result of the SCM policy not being aligned to National Treasury Instruction Note 3 of 2016/17.

Assets under Management

24. Some of the investment deals entered did not in all instances comply with investment policies, guidelines and procedures, as required by section 10 (1) and (2) of the Public Investment Corporation Act, 2004 (Act No. 23 of 2004) (PIC Act). The following are instances of non-compliance identified:

    - Some of the investment deals entered into did not comply with governance process in terms of the established policies and procedures;
    - In some instances, due diligence performed were not sufficient and appropriate as not all aspects prescribed in the policies and procedures were complied with prior to approval of the investment deals;
    - A legal contract signed with a counterparty was not aligned to the structured deal as approved by the governance structures;
    - In some instances, conditions precedent have not been incorporated into the legal contract with the investee companies; and
    - In some instances, sufficient appropriate audit evidence could not be obtained that established policies and procedures were complied with for deal origination, disbursements and monitoring of investments as some supporting documents were not provided.

OTHER INFORMATION

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

26. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
27. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
28. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

29. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
30. The instability and/or vacancies in key leadership positions has contributed to the overall decline in the internal control environment.
31. The leadership did not adequately establish policies, guidelines and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
32. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.
33. Effective financial systems of internal controls and the management thereof had not been implemented to ensure accurate financial statements. The preparation and review of the financial statements is not adequately planned.
34. Management did not ensure that the SCM policy and PFMA requirements were adhered to due to incorrect interpretation of procurement prescripts relating to deviations.
35. Management did not in all instances review and monitor compliance with applicable legislation in assets under management. Instances of non-compliance with policies, guidelines and procedures as required by section 10 (1) and (2) of the PIC Act were identified.
36. Although a risk assessment framework was in place, management did not adequately monitor and report on the progress of controls implemented or respond to new risks that may arise. Therefore, the entity's risk management processes were not considered adequate or effective.

Other reports

37. We draw attention to the following engagements conducted by various parties that have or could potentially have an impact on the PIC's financial statements, reported performance information and compliance with applicable legislation and other related matters. The reports noted do not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation. The summarised other reports will be included in the auditor's report as follows:

Limited Assurance Engagement

38. At the request of the PIC, a limited assurance engagement was conducted on review of the Financial Advisory and Intermediary Services Act. The report covered the period 1 April 2018 to 31 March 2019 and was issued on 30 August 2019.

Commission of enquiry

39. The Commission of inquiry into allegations of impropriety regarding Public Investment Corporation was appointed by the President of the Republic of South Africa on 17 October 2018, under section 84 (2) (f) of the Constitution. The commission had not concluded its work at the time of this report.

Auditor-General

Pretoria

30 August 2019

AUDITOR-GENERAL
SOUTH AFRICA

Annexure: Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;
    - Conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entities ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing as a going concern;
    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
    - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the entity audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Accounting Officer's Statement of Responsibility for Annual Financial Statements

The statement of responsibility for the Annual Financial Statements for the year ended 31 March 2019 of the Chief Executive Officer who constitutes the Accounting Officer.

Integrated Report for the 2019 Financial Year-End

I hereby acknowledge that the Integrated Report of the Public Investment Corporation SOC Limited (the Company) has been submitted to the Auditor General of South Africa (AGSA) for auditing in terms section 55(1)(c) of the Public Finance Management Act (PFMA).

I acknowledge my responsibility together with my team, for the accuracy of the accounting records, preparation and the fair presentation of the financial statements and confirm, to the best of my knowledge the following:

Annual Financial Statements

The Board of Directors who constitute the Accounting Authority are responsible for the preparation of, fair presentation, and for the judgement made in the Company's Annual Financial Statements.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). All amounts and information appearing in the Integrated Report are consistent with the Annual Financial Statements submitted to the auditors for audit purposes.

Performance information

The performance information fairly reflects the operations and actual output against planned targets for performance indicators as per the Corporate Plan of the Company for the financial year ended 31 March 2019 and has been reported on in accordance with the requirements of the guidelines on annual reports as issued by the National Treasury. A system of internal control has been designed to provide reasonable assurance as to the integrity and reliability of performance information.

The external auditors

The external auditors are engaged to express an independent audit opinion on the Annual Financial Statements of the Company. There were no scope limitations placed on the auditors and they had unrestricted access to persons within the Company from whom to obtain the necessary audit evidence in order to express an audit opinion.

The Annual Financial Statements of the Company set out on pages 201 to 250 have been approved by the Board of Directors.

Mr Vuyani Hako
Acting Chief Executive Officer

Responsibilities of our Board of Directors

The Board of Directors are required in terms of the Companies Act and the PFMA to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the Board's responsibility to ensure that the Annual Financial Statements fairly present the state of affairs of the Public Investment Corporation SOC Ltd (the Company) financial position as at 31 March 2019 and the profit or loss and cash flows of the Company for the financial year ended 31 March 2019.

In preparing and in ensuring that these Annual Financial Statements are fairly presented, the Directors are required to:

- Consistently apply accounting policies as defined in the Annual Financial Statements;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Ensure that the Annual Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The Audit and Risk Committee (ARC) has reviewed the Company Annual Financial Statements and has recommended their approval to the Board of Directors. In preparing the Company Annual Financial Statements, the Company has complied with IFRS and the Companies Act. In addition, the Company has complied with the reporting requirements of the PFMA.

The Company used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements and estimates that are made in accordance with IFRS, which have a significant impact on the Annual Financial Statements, are disclosed in the notes to the Annual Financial Statements.

The Board of Directors have every reason to believe that the Company has adequate resources and facilities in place to be able to continue in operation for the foreseeable future. Therefore, the Board of Directors are satisfied that the Company is a going concern and have continued to adopt the going concern basis in preparing the Annual Financial Statements.

The internal audit activities are in accordance to with the pre-approved internal audit plan. The internal audit plan is reviewed and approved by the ARC annually. The Company's Internal Audit department has executed the internal audit plan during the year and has provided assurance to the Board of Directors as to the state of the internal controls of the Company. Their assessment of the internal controls of the Company is included in the ARC report. The ARC has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company.

The external auditor, the AGSA are responsible for independently auditing and reporting on the Annual Financial Statements in conformity with International Standards on Auditing (ISAs). The unmodified audit report on the Annual Financial Statements, prepared in terms of the ISA appears on pages 190 to 194.

The Board of Directors are of the opinion that the Company complied with applicable laws and regulations. The Board of Directors are of the opinion that these Annual Financial Statements fairly represent the financial position of the Company as at 31 March 2019 and the results of their operations and cash flow information for the year then ended.

Dr Reuel Khoza
Chairman

Company Secretary's Certificate

In terms of Section 88(2) of the Companies Act of 2008, as amended, I certify that, to the best of my knowledge and belief, the PIC has lodged with the Registrar of Companies for financial year ended 31 March 2019, all such returns and notices as are required of a State-owned company in terms of Companies Act of 2008, as amended and that all such returns and notices are true, correct and up to date.

I also declare that between the periods 17 April 2018 until 27 March 2019 I was on precautionary suspension wherein Mr Deon Botha was Acting Company Secretary from 17 April 2018 till 13 December 2018. Ms Wilna Louw was Acting Company Secretary from 13 December 2018 until 27 March 2019.

Ms Bongani Mathebula
Company Secretary

Report from our Board of Directors

It is our pleasure as the Board of Directors to present the Annual Financial Statements of the Public Investment Corporation SOC Limited for the financial year ended 31 March 2019.

1. Nature of business

The Public Investment Corporation SOC Limited (the Company) is incorporated and domiciled in the Republic of South Africa. It is a schedule 3B state-owned entity as defined in the Public Finance Management Act, 1999 (PFMA). The Company provides asset management services primarily to public sector entities. It operates principally in South Africa but also invests offshore and within the rest of the African continent.

The Company's Annual Financial Statements for the financial year ended 31 March 2019, were authorised for issue in accordance with a resolution passed by the Board of Directors on 22 August 2019.

There have been no material changes to the nature of the Company's business from the prior financial year.

2. Financial Results

Financial sustainability is at the core of the Company's business model. The financial sustainability strategy is directly aligned to the three year corporate plan. In addition, there is monthly monitoring of financial targets, as well as cost containment measures implemented throughout the year.

In the current financial year, the net operating profit decreased compared to the previous financial year. There is a marginal decrease in revenue and unrealised loss from bond performance in the financial year under review.

Full details of the financial position, comprehensive income and cash flows of the company are set out in these Annual Financial Statements on pages 201 to 250.

3. Equity Reserves

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

The Company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board of Directors may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board of Directors may pass on the payment of dividends. A dividend of R80 million was declared and paid in the current year.

5. Directorate

The composition and profiles of Board of Directors for the Company are set out on pages 146 to 187 of the Integrated Report. The information of the Board of Directors and Board Sub-committees, its activities, meetings, attendance and any other information, are set out in the Corporate Governance Statement on pages 146 to 187.

Directors
Dr Khoza Reuel (Chairman)(Non-executive director) *****
Ms Mabaso-Koyana Sindisiwe (Deputy Chairman) (Non-executive director) *****
Ms Beswick Sandra (Non-executive director) ****
Ms Charnley Irene (Non-executive director) *****
Dr de Bruyn Angelo (Non-executive director) *****
Prof Dumisa Bonke (Non-executive director) *****
Mr Fredericks Ivan (Non-executive director) *****
Ms Fubu Tantaswa (Non-executive director)*
Mr Gamedze Bhekithemba (Non-executive director) *****
Mr Hako Vuyani (Acting CEO) **
Ms Hlatshwayo Dudu (Non-executive director) ****
Mr Maluleke Mongwena (Non-executive director) *****
Dr Manning Claudia (Non-executive director)*
Dr Matjila Daniel (CEO)***
Mr Mavuka Brian (Acting CFO) **
Dr Mkhwanazi Xolani (Non-executive director)
Mr Mngconkola Patrick (Non-executive director) ****
Ms Moahloli Tshepiso (Non-executive director) *****
Mr Moloto Pitsi (Non-executive director)
Mr Mongwena John (Non-executive director) *****
Adv Ndaba Makhubalo (Non-executive director) *****
Ms Ramos Maria (Non-executive director) *****
Ms Toyi Lindiwe (Non-executive director)*
Ms Watson Barbara (Non-executive director) *****
Ms Zulu Sibusisiwe (Non-executive director) ****

*	Dr Claudia Mannings, Ms Tantaswa Fubu and Ms Lindiwe Toyi resigned as a non-executive director effective 22 July 2018, 30 July 2018 and 09 February 2019 respectively.
**	Mr Brian Mavuka was appointed as an acting CFO and Mr Vuyani Hako as an acting CEO, effective 26 November 2018 and 21 March 2019 respectively.
***	Dr Daniel Matjila resigned as a CEO effective 23 November 2018.
****	Board members resigned on 11 July 2019.
*****	Board member were appointed on 12 July 2019.

6. Associates

The Company has a 46% (2018: 46%) shareholding in Harith Fund Managers (Pty) Limited, 30% (2018: 30%) shareholding in Harith General Partners (Pty) Limited, 30% (2018: 30%) in Bophelo Insurance Group (BIG) and 7% (2018: 7%) in The SA SME Fund Limited (SA SME). Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited both have a financial year-end consistent with that of the Company. BIG and SA SME has a February financial year-end.

The core business of Harith Fund Managers (Pty) Limited's is to manage the funds of the Pan African Infrastructure Development Fund (PAIDF). Harith Fund Managers (Pty) Limited is also responsible, on behalf of the PAIDF, for the provision of specified administrative services in regards to the operations of the PAIDF. Harith Fund Managers (Pty) Limited assists the PIC to carry out its mandate in regards to infrastructure both in South Africa and the rest of the African continent.

Harith General Partners (Pty) Limited, specialises in investments in infrastructure projects, transport, rail, port and airports, information and communication technology, water and sanitation and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF.

Bophelo Insurance Group (BIG) is a majority black-owned insurance group. BIG holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS). Bophelo Life is a wholly owned subsidiary of BIG and is an authorised Financial Services Provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long Term Insurance Act, No 52 of 1998. NIS is a short-term insurer licenced by the FSCA to underwrite all classes of business as defined in the Short Term Insurance Act of 1998.

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and Corporate South Africa. The Company's objective is to invest in equity in high potential entrepreneurial enterprises in the Small and Medium Enterprises (SME) sector and to build a high-quality mentorship cohort to provide business and other forms of support to SME's and entrepreneurs funded by the Company.

The details of all the transactions in which the Company has entered into with the associates are disclosed in note 6 of the Annual Financial Statements.

7. Related-party transactions

Details of related-party transactions are disclosed in note 30 of the Annual Financial Statements.

8. Internal Financial Controls

During the year under review, the Board of Directors, through the ARC, assessed the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by Internal Audit. The ARC considered the information and explanations given by Management and discussions with the external auditors on the results of the audit.

Based on the results obtained, nothing has come to the attention of the Board of Directors that has caused it to believe that the Company's system of internal controls do not form a sound basis for the preparation of reliable financial statements.

According to Treasury Regulations, (paragraph 28), and the PFMA, (section 55), the Annual Financial Statements must include a report by the Accounting Authority, who must include the disclosure of remuneration in respect of all members of the Accounting Authority, who are the Company's Non Executive and Executive Directors and the Senior Management. As per the Companies Act 71 of 2008, (paragraph 30(5)), the Annual Financial Statements must show the amount of any remuneration or benefits paid or receivable by all members of the Accounting Authority. The details of the disclosure are included in the disclosure of remuneration on page 138.

9. Corporate Governance

On 1 April 2017, King IV became effective and the Company has adopted the report effectively.

10. Special resolutions

The Corporation did not make any special resolutions, which might affect the Shareholder to appreciate the state of affairs of the Company.

11. Subsequent Events

The Board of Directors is not aware of any material event that occurred after the reporting date and up to the date of this report.

12. Going-Concern

The Board of Directors has reviewed the financial budgets with their underlying business plans for the period up to 31 March 2019. When assessing the Company's ability to continue as a going concern, both quantitative and qualitative factors were taken into account. The two critical quantitative factors were liquidity and solvency requirements. Qualitative factors that may cast significant doubt about the going concern assumption, such as financial trends, external and internal matters, were assessed.

On the basis of the review performed and in light of the current financial position, the Board of Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board of Directors, therefore considers it appropriate that the Annual Financial Statements be prepared on a going concern basis.

13. Judicial Proceedings

The Company became involved in a litigation between Public Servants Association (PSA) and Solidarity Union in July and August 2018 respectively, both cases are still pending. The Company was a defendant in a case with Companies and Intellectual Properties Commission (CIPC) for compliance notice and the application was dismissed in favour of the PIC.

14. Auditors

The AGSA is the registered auditor of the Company. The auditors of Harith Fund Managers (Pty) Limited and Harith General Partners (Pty) Limited are BDO South Africa Inc. BIG is currently under provisional liquidation, therefore there is currently no planned audit for the Company. The auditor of SA SME Fund Limited is Deloitte.

The AGSA was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and Committees of the Board. The Board of Directors believe that all representations made to the external auditors during their audit, are valid and appropriate.

15. Ultimate Holding Company

The Company's ultimate holding company is the National Government of the Republic of South Africa. The Shareholder representative is the Minister of Finance. The Company's oversight department is the National Treasury.

The Annual Financial Statements set out on pages 201 to 250, which have been prepared on the going concern basis, were approved by the Board of Directors on 22 August 2019, and were signed on its behalf by:

Dr. Reuel Khoza
Chairman

Statement of Financial Position

at 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	76,377	95,814
Intangible assets	5	11,915	2,999
Investments in associates	6	158,916	106,683
Deferred tax	10	136,524	87,919
		383,525	**293,415**
CURRENT ASSETS			
Trade and other receivables	13	221,640	95,574
Financial assets at fair value through profit or loss	7	1,786,163	1,668,850
Current tax receivable	11	8,009	12,291
Financial instrument at amortised cost	12	522,133	574,969
Cash and cash equivalents	14	318,061	299,824
		2,856,006	**2,651,508**
TOTAL ASSETS		**3,239,531**	**2,944,923**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	1	1
Reserves	16, 17	947,163	680,797
Retained income		1,842,137	1,890,414
		2,789,301	**2,571,212**
LIABILITIES			
NON-CURRENT LIABILITIES			
Operating lease liabilities	9	28,289	15,682
Provisions	18	121,256	116,623
		149,545	**132,305**
CURRENT LIABILITIES			
Trade and other payables	19	50,461	26,077
Operating lease liabilities	9	95	1,249
Provisions	18	250,129	214,080
		300,685	**241,406**
TOTAL LIABILITIES		**450,230**	**373,711**
TOTAL EQUITY AND LIABILITIES		**3,239,531**	**2,944,923**

Statement of Comprehensive Income

for the year ended 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018
Revenue	20	1,205,714	1,224,467
Other operating income	21	11,583	8,768
Unrealised gain or (loss) on financial asset at fair value through profit/loss	22	(121,040)	42,420
Impairment of assets at amortised cost	22	-	(59,088)
Impairment of associate	22	-	(23,208)
Impairment (losses) or gains on financial assets at amortised cost	22	236	-
Other operating expenses	22	(919,577)	(805,447)
OPERATING PROFIT	22	**176,916**	**387,912**
Investment income	23	198,052	182,659
Finance costs	24	(3)	(4)
Share of profit/(loss) of associates	6	15,259	24,034
PROFIT BEFORE TAXATION		**390,224**	**594,601**
Taxation	25	(99,468)	(177,460)
PROFIT FOR THE YEAR		**290,756**	**417,141**
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Share of comprehensive income of associates	16	9,734	(5,872)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAXATION		9,734	(5,872)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**300,490**	**411,269**

Statement of changes in Equity

for the year ended 31 March 2019

Figures in Rand thousand	Share capital	Foreign currency translation reserve	Non-distributable reserves	Total reserves	Retained income	Total equity
BALANCE AT 1 APRIL 2017	**1**	**7,709**	**545,966**	**553,675**	**1,666,267**	**2,219,943**
Profit for the year	-	-	-	-	417,141	417,141
Other comprehensive income	-	(5,872)	-	(5,872)	-	(5,872)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**(5,872)**	**-**	**(5,872)**	**417,141**	**411,269**
Transfer between reserves	-	-	132,994	132,994	(132,994)	-
Dividends	-	-	-	-	(60,000)	(60,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF COMPANY RECOGNISED DIRECTLY IN EQUITY	-	**-**	**132,994**	**132,994**	**(192,994)**	**(60,000)**
BALANCE AT 1 APRIL 2018 AS ORIGINALLY PRESENTED	**1**	**1,837**	**678,960**	**680,797**	**1,890,414**	**2,571,212**
Adjustments						
Change in accounting policy	-	-	-	-	(2,401)	(2,401)
RESTATED TOTAL EQUITY AT 1 APRIL 2018	**1**	**1,837**	**678,960**	**680,797**	**1,888,013**	**2,568,811**
Profit for the year	-	-	-	-	290,756	290,756
Other comprehensive income	-	9,734	-	9,734	-	9,734
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	**9,734**	**-**	**9,734**	**290,756**	**300,490**
Transfer between reserves	-	-	256,632	256,632	(256,632)	-
Dividends to Shareholder	-	-	-	-	(80,000)	(80,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS OF COMPANY RECOGNISED DIRECTLY IN EQUITY	**-**	**-**	**256,632**	**256,632**	**(336,632)**	**(80,000)**
BALANCE AT 31 MARCH 2019	**1**	**11,571**	**935,592**	**947,163**	**1,842,137**	**2,789,301**
Note(s)	15	16	17			

Statement of Cash Flows

for the year ended 31 March 2019

Figures in Rand thousand	Note(s)	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	26	281,447	416,045
Interest income		135,994	115,100
Dividends paid to Shareholder		(80,000)	(60,000)
Finance costs		(3)	(4)
Tax paid	27	(154,062)	(169,792)
NET CASH FROM OPERATING ACTIVITIES		**183,376**	**301,349**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(3,328)	(101,466)
Proceeds on disposal of property, plant and equipment	4	100	-
Purchase of intangible assets	5	(9,038)	(2,679)
Financial assets at amortised cost additions		(809,777)	(846,020)
Financial assets at amortised cost disposals		868,628	671,868
Financial asset at fair value through profit and loss additions		(373,381)	(251,821)
Financial asset at fair value through profit and loss disposals		160,552	107,347
Investment in Associates		(30,000)	(10,000)
Dividend received from Associates		2,760	-
Dividend received from listed investments		28,346	26,175
Preference dividends received from Associate		-	1,882
NET CASH FROM INVESTING ACTIVITIES		**(165,139)**	**(404,714)**
CASH FLOWS FROM FINANCING ACTIVITIES			
TOTAL CASH MOVEMENT FOR THE YEAR		**18,237**	**(103,365)**
Cash at the beginning of the year		299,824	403,189
TOTAL CASH AT END OF THE YEAR	14	**318,061**	**299,824**

Accounting Policies

for the year ended 31 March 2019

1. Presentation of Annual Financial Statements

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of Preparation

The Public Investment Corporation SOC Limited's (the Company) Annual Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), and comply with the South African Institute of Chartered Accountants' (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee's (APC) financial pronouncements as issued by the Financial Reporting Standards Council, the PFMA and the requirements of the Companies Act.

The Company's Annual Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value. The preparation of financial statements in conformity with IFRS requires. Management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amount of assets, liabilities, income and expenses.

Information about significant areas of estimates, uncertainty and critical judgements in applying Accounting Policies that have the most significant effect on the amounts recognised in the Annual Financial Statements, have been disclosed.

New and amended standards adopted by the PIC

The PIC has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The PIC had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15.

This is disclosed in note 2.

1.2 Investments in associates

The Annual Financial Statements include the Company's share of the income and expenses and equity movements of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carry amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

1.3 Significant judgements and sources of estimation uncertainty

The Company makes judgements, estimates and assumptions concerning the future when preparing the Annual Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less loss allowance (if any). See note 13 for further information on the PIC's accounting for trade receivables and impairment policies.

Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the financial year-end. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (unlisted securities) is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and

1.3 Significant judgements and sources of estimation uncertainty (continued)

option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year-end.

Revenue recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Company had transferred control of the services to the customer. Management are satisfied that control has been transferred and that recognition of the revenue in the current year is appropriate.

Revenue earned from the management of the underlying investment portfolio on behalf of clients by the Public Investment Corporation is recognised over time.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Company exercises judgement in determining whether sufficient taxable profits will be available. This is done by assessing the future financial performance of the underlying to which the deferred tax assets relate. The Company's deferred tax assets for the current year amounted to R136 million (2018: R88 million), refer to Note 10.

Taxation

The Company is subject to income tax in South Africa. As a result, significant judgement is required in determining the Company's provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the current and deferred tax in the period in which such determination is made.

Estimates of useful lives of property, plant and equipment

Property, plant and equipment useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the Company uses historical sales or acquisitions and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset and physical wear and tear.

Intangible assets, software and other intangible assets

The Company's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives and residual values critical to the Company's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Company, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

Long-term employee benefits

Long term employee benefits obligations are measured on a discounted basis when the effect of the time value of money is material, and are expensed when the service that gives rise to the obligation is rendered. Where the effect is not material, the obligation is measured on an undiscounted basis. The changes in the carrying value shall be recognised in profit or loss.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

The Company recognises 12 months ECL for stage 1 financial instruments. If the credit risk of the financial instrument deteriorates such that it poses a significant increase in credit risk since initial recognition, the company recognises lifetime ECL and migrate the financial instrument to stage 2.

The Company investment mandates state that in order to diversify and to minimize excessive credit exposure to a single counterparty, the company will only invest in institutions which have a credit rating of at least A- or A3 from one of the recognised domestic and or international credit rating agencies.

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposure since initial recognition by comparing the PD, over the remaining expected life, at the reporting date with that on the date of initial recognition and there has been no significant increase as at reporting date.

The Company considers that default has occurred and classified the financial asset as impaired when it is more than 30 days past due or one or more events have occurred after the date of initial recognition of the instrument that have a negative impact on the estimated future cash flows of the instrument.

The Company's financial instruments are held with major banks with no history of credit rating downgrade, very short-term in nature and with future anticipation of a same credit rating.

The Company's financial instruments are low credit risk.

1.4 Property, plant and equipment

Property, plant and equipment are defined as tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is only recognised when:

- It is probable that future economic benefits associated with the item will flow to the Company; and
- The cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost if it is probable that future economic benefits associated with the items will flow to the Company and they have a cost that can be measured reliably.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Subsequent costs are included in the assets' carrying amount only when it is probable that future economic benefits associated with the line item will flow to the Company and the cost of the item can be reliably measured.

The useful lives of items of property, plant and equipment have been assessed as follows:

	Average
Furniture and fixtures	5 – 10 years
Motor vehicles	5 – 8 years
Office equipment	5 – 8 years
IT equipment	3 – 5 years
Leasehold improvements	2 – 10 years or lease term

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

The carrying values of property, plant and equipment are written down to their estimated recoverable amounts, where the estimated recoverable amount is lower than the carrying value. The recoverable amount for property, plant and equipment is determined as the higher of the asset's fair value less costs to sell and the value in use.

All gains or losses arising on the disposal or scrapping of property, plant and equipment are recognised in profit or loss in the period of disposal or scrapping. Repairs and maintenance are charged to profit and loss when the expenditure is incurred.

1.5 Intangible assets

Intangible assets are defined as identifiable, non-monetary assets without physical substance. No intangible asset is recognised when arising from research. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.5 Intangible assets (continued)

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Subsequent expenditure relating to intangible assets is capitalised when it is probable that future economic benefits from the use of the assets will be increased and will be realised. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

Surpluses and deficits on the disposals of intangible assets are recognised in profit or loss. The surplus or deficit is the difference between the disposal proceeds and the carrying value of the asset at the date of sale.

The amortisation period and the amortisation method for intangible assets are reviewed every financial year. Amortisation is charged to profit or loss on a straight line basis and is calculated to reduce the original costs to the expected residual values over the estimated useful lives. Useful lives and residual values are assessed on an annual basis.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

	Average
Computer software, other	3 – 5 years
Other intangible assets	5 – 8 years

1.6 Investments in associates

An associate is an entity over which the Company has the ability to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. This is generally demonstrated by the Company holding in excess of 20%, but no more than 50%, of the voting rights. The existence of significant influence by the Company is usually evidenced in one or more of the following:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in the policy making process, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

On initial recognition, the investment in associates is recognised at cost and the carrying amount is equity accounted. The Company's share of post-acquisition profit or loss and post-acquisition movements in other comprehensive income are recognised in the Statement of Comprehensive Income and Other Comprehensive Income (OCI), respectively. The Company applies the equity method of accounting from the date significant influence commences until the date significant influence ceases (or the associate is classified as held for sale), i.e. when the Company's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil, inclusive of any long-term debt outstanding. The recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations, or guaranteed obligations, in respect of the associate. If the associates reports profits, the Company resumes recognising its share of those profits only after its share of the profit equals the share of losses not recognised.

When the Company transacts with an associate, unrealised profits and losses are eliminated to the extent that there is no evidence of impairment. When the Company transacts with an associate, any instrument that contains potential voting rights is accounted for in accordance with IAS 39. Then, in the event the instrument is classified as held for sale it is accounted for in accordance with IFRS 5.

In applying the equity method, the Company should use the financial statements of the associate as of the same date as the financial statements of the Company unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the end of the two accounting periods. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.

At each reporting date, the Company determines whether there is objective evidence that the investments in associates are impaired. Objective evidence of impairment for an associate investment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the associate investment may not be recovered. A significant or prolonged decline in the fair value of an associate investment below its cost is also considered objective evidence of impairment. The carrying amounts of such investments are then reduced to recognise any impairment by applying the impairment methodology.

The accounting is discontinued from the date that the Company ceases to have significant influence over the associate or joint control over the joint venture. The Company measures at fair value any investment it has retained in the entity when significant influence is lost and recognises the resulting gain or loss in profit or loss. The gain or loss is measured as the difference between the fair value of this retained investment and the carrying amount of the original investment at the date significant influence or joint control is lost.

1.7 Financial instruments

(i) Classification

From 1 April 2018, the PIC classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss (FVTPL); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The PIC does not have any financial assets measured at fair value through other comprehensive income (FVOCI).

The PIC reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the PIC measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequently, measurement of debt instruments depends on the PIC's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the PIC classified its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains or losses. Impairment losses are presented as separate line items in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.

1.7 Financial instruments (continued)

- The PIC does not have any financial assets measured at fair value through other comprehensive income (FVOCI).

Equity instruments

The PIC subsequently measures all equity investments at fair value through profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the PIC's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains / losses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTPL are not reported separately from other changes in fair value.

(iv) Impairment

From 1 April 2018, the PIC assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the PIC applied the general approach permitted by IFRS 9 to determine the expected credit losses to be recognised from initial recognition of the receivables and the debt instruments carried at amortised cost.

(v) Accounting policies applied until 31 March 2018

The PIC has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the PIC's previous accounting policy.

Classification

Until 31 March 2018, the PIC classified its financial assets in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Held to maturity investments.

The classification is depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The PIC could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the company could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available for sale categories if the company had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassification were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversal of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held to maturity investments were carried at amortised cost using the effective interest method. Financial assets at FVTPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in profit or loss.

Impairment

The PIC assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial assets or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset.

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered bankruptcy proceeding. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held to maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment loss was recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 19), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Trade and other payables expose the Company to liquidity risk and possibly to interest rate risk. Refer to note 32 for details of risk exposure and management thereof.

Cash and cash equivalents

Investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Carrying values of cash and cash equivalents, are considered a reasonable approximation of their fair values. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition. Term deposits measured at amortised cost are presented as cash equivalents if they have a maturity of three months or less from financial position date. Term deposits measured at amortised cost with three months or less to maturity as at the financial position date are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose and are presented as cash equivalents.

1.8 Tax

Current tax assets and liabilities

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior period tax paid).

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective

1.8 Tax (continued)

bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred tax is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition. The effect on deferred tax of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- A transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- A business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Leases that are not classified as finance leases are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recognised in profit or loss on a straight line basis over the term of the lease. When another systematic basis is more representative of the time pattern of the user's benefit, then that method is used.

1.10 Impairment of assets

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs, is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses, at each reporting date, whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, cannot exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Share capital and equity

Ordinary shares are classified as equity. Share capital issued by the Company is recorded as the value of the proceeds received less the external costs directly attributable to the issue of the shares.

Dividends to equity holders are recognised as a liability in the period in which they are declared and are accounted for in the Statement of Changes in Equity.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.12 Non-distributable reserves and other reserves

Foreign currency reserve

The Company recognises foreign currency transactions initially at the rate of exchange at the date of the transaction. At each subsequent balance sheet date:

- Foreign currency monetary balances are reported using the closing rate;
- Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction;
- Non-monetary items carried at fair value are reported at the rate that existed when the fair values were determined; and
- Foreign exchange differences arising on translation are recognised in profit and loss.

Non-distributable reserves

The Company will make a transfer of profits to the Non-Distributable Reserve (NDR) on an annual basis.

The Directors may use the NDR funds to fund future capital expenditure of the Company, therefore, ensuring the financial sustainability of the Company.

1.13 Operating expenses

Operating expenses reflect costs incurred during the reporting period and relate to operating activities of an entity. Expenses are recognised on the basis of the accrual and comparability principles in the reporting period during which the related income is earned, regardless of the time of spending the cash. Only that portion of costs of the previous reporting periods that is related to the income earned during the reporting period, is recognised as expenses.

Costs that are not related to income earned during the reporting period, but expected to generate future economic benefits, are recorded in accounting and presented in the financial statements as assets. The portion of assets which are intended for earning income in future periods shall be recognised as expenses when the associated income is earned. When the use of certain assets will generate income over several future reporting periods and due to that, the association between income and expenses can be determined only approximately,

1.13 Operating expenses (continued)

expenses are recognised using indirect recognition methods, for example depreciation and amortisation of non-current assets.

1.14 Employee benefits

Short-term benefits

Short-term benefits consists of salaries, accumulated leave payments, bonus and any non-monetary benefits such as medical aid contributions.

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under the short-term benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term incentives

On an annual basis, the long-term incentive (LTI) provision will be re-measured taking into account the probability of payout at the end of the vesting period. The best estimate of the amount that will be paid will be determined by using the historical analysis of the payout made and also taking into consideration any special events that could have resulted in a significant event that could impact on the carrying amount. The changes in the carrying value shall be recognised in profit or loss.

Termination benefits

Termination benefits are recognised as an expense when the Company is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably.

Defined contribution plans

Under defined contribution plans:

(a) The Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Thus, the amount of the post employment benefits received by the employee is determined by the amount of contributions paid by both the employer and employee to a post employment benefit plan, together with investment returns arising from the contributions; and
(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the employee.

Defined benefit plans

Under defined benefit plans:

(a) The Company's legal or constructive obligation is not limited to the amount that it agrees to contribute to the fund; and
(b) In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall on the Company.

1.15 Provisions and contingencies

Provisions represent liabilities of uncertain timing or amount.

Provisions are recognised when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The amount recognised as a provision is the reasonable estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions. Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Onerous contracts

The present obligations arising under any onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits that are expected to be received by the Company under such contract.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.16 Revenue from contracts with customers

IAS 18 Revenue

Revenue compromises of asset management fees, which includes management fees and development fees.

Revenue from asset management fees and service fees are recognised using the stage of completion method over the period during the service are provided and once the risk and rewards associated with ownership has been transferred in the case of course material.

IFRS 15 Revenue from Contracts with Customers

The IAS 18 Revenue standard was replaced with IFRS 15 which established a comprehensive framework for determining whether, how much and when the revenue should be recognised.

Revenue compromises asset management fees activities which compromise of management fees and development fees. In terms of IFRS 15, the Company is required to recognise revenue when or as the entity satisfies a performance obligation by transferring a promised service to a customer. The Company has therefore assessed the impact of IFRS 15 based on the IFRS 15 five step process as per below:

- The mandate is the contract signed between the customer and the Public Investment Corporation and is the legally enforceable contract identifying the rights of each party.
- The performance obligation in the mandate is the promise by the Public Investment Corporation to manage the clients funds to generate an alpha.
  - Revenue is earned in the form of management fees, as management services are rendered i.e. Ongoing management of the investment portfolio, as agreed in terms of the mandates with customers. IFRS 15.119 (a).
  - For management fees, fee is calculated based on net asset under management and billed monthly or quarterly in arrears with payment terms of 30 days, any uncertainty related to the variable consideration will be resolved as of the end of each reporting period. No estimation is required in respect of variable consideration when allocating the transaction price to the performance obligation. IFRS 15.119(b).
  - Revenue earned from management fees is recognised over time based on the annual management fees percentage per contracts with customers and on direct measurement of the value to the customer of the services transferred i.e. output method.
- The mandate specifies the transaction price as being the expected management fees and performance fee (if any) to be charged.
- The total management fees should be allocated to the single performance obligation that of managing the portfolio of investments on behalf of the customers. Due to the nature of the revenue earned (management fees and /or performance fees), no estimation is required in respect of variable consideration when allocating the transaction price to the performance obligation.
- The Public Investment Corporation only recognises the revenue when it has satisfied the promised obligation of providing the asset management service and the obligation has been monetised. Revenue in respect of management fees is recognised over time.

1.16 Revenue from contracts with customers (continued)

Due to the adoption of the IFRS 15 by the Company, and the assessment performed above, the Company concluded that IFRS 15 does not have any material impact to the Company's revenue recognition.

The Company revenue is measured based on the consideration received in the contract with the customer excluding VAT (Value Added Tax).

1.17 Investment income

Interest is recognised as part of investment income using the effective interest rate method.

Dividends are recognised as part of investment income when the company's right to receive payment has been established.

1.18 Commitments

A commitment is a state or quality of being dedicated to a cause or activity. Our commitments disclosure comprises of four classes of commitments i.e. leases, future capital expenditures that are authorised by the Company's Board of Directors both contracted and uncontracted, future operating expenses that are authorised by the Company's Board of Directors (contracted expenses) and future investments that are authorised by the Company's Board of Directors.

1.19 Subsequent Events

Events after the reporting period

It is an event, which could be favourable or unfavourable, that occurs between the end of the reporting period and the date that the financial statements are authorised for issue. The Company adjusts its financial statements for events after the balance sheet date that provide further evidence of conditions that existed at the end of the reporting period, including events that indicate that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.

The Company does not adjust its financial statements for events or conditions that arise after the end of the reporting period. If the events are material, they will be disclosed in the Annual Financial Statements. If the Company declares dividends after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period. If the Company receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in light of the new information.

1.20 Comparatives

The Company discloses comparative information in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another standard requires otherwise.

1.21 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense items are offset only to the extent that their related instruments have been offset in the Statement of Financial Position.

The Company does not offset any assets and liabilities, and income and expenses, unless it is required or permitted by an IFRS.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

2. Changes in accounting policy

Application of IFRS 9 Financial Instruments

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in the accounting policy, IFRS 9 was generally adopted without restating comparative information. The reclassification and the adjustment arising from the new impairment rules therefore not reflected in the restated statement of financial position as at 31 March 2018, but are recognised in the opening balance on 1 April 2018. The following table show adjustments recognised for each individual line items. Line items that were no affected by the change have not been included.

Classification and measurement of financial assets

STATEMENT OF FINANCIAL POSITION	31 March 2018	IFRS 9 Reclassification	IFRS 9 Remeasurement	01 April 2018
Deferred tax	87,919	-	9	87,929
Trade receivables	95,574	-	-	95,574
FVTPL	1,668,850	(19,612)	-	1,649,328
Financial assets at amortised cost	574,969	4,722	(2,410)	577,281
Cash	299,824	14,890	-	314,714
Retained earnings	1,890,422	-	(2,401)	1,888,021

Impairment of financial assets

On 1 April 2018 (the date of initial application of IFRS 9), the PIC's management has assessed which business models apply to the financial assets held by the PIC and has classified its financial instruments into the appropriate IFRS 9 categories. In applying IFRS 9, the Company considered the probability of default occurring over the contractual life of its financial assets at amortised cost. The Company uses the credit rating methodology to determine the probability of default (PD) and loss given default (LGD) was set at 45% for senior unsecure debt. Expected credit losses are discounted using the effective interest rate. Both domestic and global outlook were considered but due to the short-term nature and credibility of the counterparties, there were no significant impact.

Reclassification from FVPL to Amortised cost

Money market instruments in promissory notes have been reclassified from being designated at fair value through profit and loss to financial assets at amortised cost due to the change in the classification and measurement model as a results of IFRS 9 transition. The classification and measurement model has changed from FVTPL under IAS 39 to amortised cost under IFRS 9.

IFRS 9 Financial Instruments

IFRS 9 replaces the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

2. Changes in accounting policy (continued)

The adoption of IFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out. In accordance with the transitional provision in IFRS 9 (7.2.15),comparative figures have not been restated. The total impact on the company's retained earnings as at 1 April 2018 is as follow:

Retained Earnings

Closing retained earnings 31 March 2018	1,890,422
Increase in allowance for trade receivables	-
Increase in allowance for debt instruments at amortised cost	(2,410)
Deferred tax impact	9
Adjustment to retained earnings from adoption of IFRS 9 on 1 April 2018	(2,401)
Opening retained earnings 1 April 2018	1,888,021

On the date of initial application, 1 April 2018, the financial instruments of the Company were as follows, with any reclassification noted:

	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Equities listed	FVTPL	FVTPL	470,370	470,370	-
Listed bonds	FVTPL	FVTPL	1,178,868	1,178,868	-
Money market instruments - Fixed deposits	Amortised cost	Amortised cost	574,969	572,578	2,391
Money market instruments - Promissory notes	FVTPL	Amortised cost	19,612	4,702	14,910
Cash and cash equivalents	Amortised cost	Amortised cost	299,824	314,714	(14,890)
Trade and other receivables	Amortised cost	Amortised cost	95,574	95,574	-

The difference noted are a result of applying the new expected credit loss model. The reclassification of the financial instruments on adoption of IFRS 9 did not result in any changes to measurement. Promissory notes average effective interest rate is 7.1% and interest income of R19,001.37 was recognised.

The company has two types of financial assets that are subjected to IFRS 9's new expected credit loss model:

- Trade receivables for management fees; and
- Debt investments carried at amortised cost.

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the company's retained earnings and equity is disclosed in the table above. While cash balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The company applies the IFRS 9 general approach to measuring expected credit losses which uses 12 month expected loss allowance for trade receivables. The identified impairment loss was immaterial.

Debt Investments

Debt investments at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. Applying the expected credit risk model resulted in the recognition of a loss allowance of R2,410 on 1 April 2018 for debt investments at amortised cost and a decrease in the allowance by R236 in the current reporting period due to a decrease in the number of instrument held.

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Company financial statements are described below. Refer to the revenue accounting policy for additional details.

The Company has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 April 2018. The comparative information has therefore not been restated except note 20.

The Company has applied IFRS 15 without using any of the practical expedients provided and there is no significant effect of the changes in accounting policy on the financial statements for the year ended 31 March 2019.

There is no significant effect of the changes in accounting policy on the financial statements for the year ended 31 March 2019.

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3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 (AC 146) Financial Instruments	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
• Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	The impact of the standard is not material.
• Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	The impact of the standard is not material.
• Amendments to IAS 40: Transfers of Investment Property	01 January 2018	The impact of the standard is not material.
• Foreign Currency Transactions and Advance Consideration	01 January 2018	The impact of the standard is not material.
• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	The impact of the standard is not material.

3. New Standards and Interpretations (continued)

3.2 Standards and interpretations not yet effective

The Company has chosen not to adopt the following standards and interpretations early, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2019 or later periods:

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019	Unlikely there will be a material impact.
• Long-Term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	Unlikely there will be a material impact.
• Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019	Unlikely there will be a material impact.
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact.
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019	Unlikely there will be a material impact.
• Uncertainty over Income Tax Treatments	01 January 2019	Unlikely there will be a material impact.
• IFRS 16 Leases	01 January 2019	Impact due changes to the IFRS 16 Lease to the Company Annual Financial Statements is underway. Changes to the lease accounting standard might have a far-reaching impact on the Company's business processes, systems, controls and accounting hence a cross functional approach to implement is under way.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

4. Property, plant and equipment

Figures in Rand thousand	2019 Cost / revaluation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost / re-evaluation	2018 Accumulated depreciation	2018 Carrying value
Furniture and fixtures	20,411	(9,458)	10,953	20,364	(5,391)	14,973
Motor vehicles	885	(885)	-	885	(885)	-
Office equipment	17,990	(6,297)	11,693	18,507	(3,254)	15,253
IT equipment	28,749	(19,162)	9,587	29,616	(13,848)	15,768
Leasehold improvements	54,067	(9,923)	44,144	58,780	(8,960)	49,820
TOTAL	**122,102**	**(45,725)**	**76,377**	**128,152**	**(32,338)**	**95,814**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2019	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	14,973	47	-	(4,067)	10,953
Office equipment	15,253	98	(25)	(3,633)	11,693
IT equipment	15,768	1,592	(191)	(7,582)	9,587
Leasehold improvements	49,820	1,699	(200)	(7,175)	44,144
	95,814	**3,436**	**(416)**	**(22,457)**	**76,377**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – 2018	Opening balance	Additions	Write-off	Depreciation	Total
Furniture and fixtures	6,733	11,694	(1)	(3,453)	14,973
Motor vehicles	10	-	-	(10)	-
Office equipment	16,056	2,380	(322)	(2,861)	15,253
IT equipment	11,888	11,364	(202)	(7,282)	15,768
Leasehold improvements	33,383	21,837	(19)	(5,381)	49,820
	68,070	**47,275**	**(544)**	**(18,987)**	**95,814**

5. Intangible assets

Figures in Rand thousand	2019 Cost / valuation	2019 Accumulated amortisation	2019 Carrying value	2018 Cost / valuation	2018 Accumulated amortisation	2018 Carrying value
Computer software	13,711	(1,796)	11,915	25,843	(22,844)	2,999
Other intangible assets	136	(136)	-	2,717	(2,717)	-
TOTAL	**13,847**	**(1,932)**	**11,915**	**28,560**	**(25,561)**	**2,999**

RECONCILIATION OF INTANGIBLE ASSETS - 2019	Opening balance	Additions	Amortisation	Total
Computer software	2,999	10,158	(1,242)	11,915

RECONCILIATION OF INTANGIBLE ASSETS - 2018	Opening balance	Additions	Amortisation	Total
Computer software	1,061	2,679	(741)	2,999

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

6. Investments accounted for using the equity method

Investments in associates are investments in which the Company has significant influence, but not control over the financial and operating policies. Investment in associates are accounted for using the equity method in terms of IAS 28. The Company has four associates, namely: Harith Fund Managers (Pty) Limited, Harith General Partners (Pty) Limited, Bophelo Insurance Group (BIG) and South African SME Fund Limited.

Associates

Harith Fund Managers (Pty) Limited 's nature of business is the management of the funds of the Pan African Infrastructure Development Fund (PAIDF). Harith Fund Managers (Pty) Limited is also responsible, on behalf of the PAIDF, for the provision of specified administrative services relating to the operations of the PAIDF. Harith Fund Managers (Pty) Limited assists the Company in carrying out its mandate as it relates to infrastructure both in South Africa and the rest of the continent.

Harith General Partners (Pty) Limited is a company established in South Africa, specialising in investments in infrastructure projects in energy, transport, rail, port and airports, information and communication technology, water and sanitation, energy and many others mainly on the African continent. Harith General Partners (Pty) Limited provides fund management and advisory services to the PAIDF.

BIG is a majority black-owned insurance group. BIG holds two subsidiaries in the life and short-term insurance sector, namely Bophelo Life Insurance Limited (Bophelo Life) and Nzalo Insurance Service Limited (NIS). Bophelo Life is a wholly owned subsidiary of BIG and is an authorised Financial Services Provider as prescribed by the FAIS Act, and a registered life insurer in terms of the Long Term Insurance Act, No 52 of 1998. NIS is a short-term insurer licenced by the FSB to underwrite all classes of business as defined in the Short Term Insurance Act of 1998.

The SA SME Fund was established as part of the CEO Initiative in conjunction with National Treasury and Corporate South Africa. The Company's objective is to equity invest in high potential entrepreneurial enterprises in the Small and Medium Enterprises (SME) sector and to build a high quality mentorship cohort to provide business and other forms of support to SME's and entrepreneurs funded by the Company. The Company have a right to elect a director in SA SME Fund.

	2019	2018	2019	2018
NAME OF COMPANY	% Ownership interest		Carrying amount	
Harith Fund Managers (Pty) Limited	46%	46%	(2,364)	(196)
Harith General Partners (Pty) Limited	30%	30%	123,412	97,323
Bophelo Insurance Group	30%	30%	-	-
South African SME Fund Limited	7%	7%	37,868	9,556
			158,916	**106,683**

Material associates

The following associates are material to the company:

	Country of incorporation	Method	2019	2018
			% Ownership interest	
Harith Fund Managers (Pty) Limited	South Africa	Equity	46%	46%
Harith General Partners (Pty) Limited	South Africa	Equity	30%	30%
Bophelo Insurance Group	South Africa	Equity	30%	30%
South African SME Fund Limited	South Africa	Equity	7%	7%

6. Investments accounted for using the equity method (continued)

Summarised financial information of associates

Figures in Rand thousand — 2019

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Profit (loss) attributable to the Company	Dividend received from associate
Harith Fund Managers (Pty) Limited	111,898	1,287	-	1,287	592	(2,760)
Harith General Partners (Pty) Limited	204,933	54,518	32,448	86,966	16,355	-
South African SME Fund Limited	-	(23,583)	-	(23,583)	(1,688)	-
	316,831	**32,222**	**32,448**	**64,670**	**15,259**	**(2,760)**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	2,855	3,719	-	4	6,570
Harith General Partners (Pty) Limited	154,800	342,260	39,359	54,474	403,227
South African SME Fund Limited	54,120	444,800	24	9,721	489,175
	211,775	**790,779**	**39,383**	**64,199**	**898,972**

Reconciliation of movement in investments in associates	Investment at beginning of 2019	Investment	Share of profit	Share of OCI	Dividends received from associates	Investment at end of 2019
Harith Fund Managers (Pty) Limited	(196)	-	592	-	(2,760)	(2,364)
Harith General Partners (Pty) Limited	97,323	-	16,355	9,734	-	123,412
South African SME Fund Limited	9,556	30,000	(1,688)	-	-	37,868
	106,683	**30,000**	**15,259**	**9,734**	**(2,760)**	**158,916**

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for the year ended 31 March 2019

6. Investments accounted for using the equity method (continued)

Summarised financial information of associates

Figures in Rand thousand — 2018

Summarised statement of profit or loss and other comprehensive income	Revenue	Profit (loss)	Other comprehensive Income	Total comprehensive income	Profit (loss) attributable to the Company	Dividend received from associate
Harith Fund Managers (Pty) Limited	107,186	1,783	-	1,783	820	-
Harith General Partners (Pty) Limited	200,853	47,102	(19,574)	27,528	14,131	-
Bophelo Insurance Group	107,570	31,756	-	31,756	9,527	(7,870)
South African SME Fund Limited	-	(6,201)	-	(6,201)	(444)	-
	415,609	**74,440**	**(19,574)**	**54,866**	**24,034**	**(7,870)**

Summarised statement of financial position	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
Harith Fund Managers (Pty) Limited	3,356	7,931	-	4	11,283
Harith General Partners (Pty) Limited	123,556	311,424	38,456	80,262	316,262
Bophelo Insurance Group	12,208	355,932	58,188	239,020	70,932
South African SME Fund Limited	570	125,050	63	10,700	114,857
	139,690	**800,337**	**96,707**	**329,986**	**513,334**

Reconciliation of movement in investments in associates	Investment at beginning of 2018	Investment	Share of profit	Share of OCI	Impairment of associates	Investment at end of 2018
Harith Fund Managers (Pty) Limited	(1,016)	-	820	-	-	(196)
Harith General Partners (Pty) Limited	89,064	-	14,131	(5,872)	-	97,323
Bophelo Insurance Group	13,681	-	9,527	-	(23,208)	-
South African SME Fund Limited	-	10,000	(444)	-	-	9,556
	101,729	**10,000**	**24,034**	**(5,872)**	**(23,208)**	**106,683**

7. Financial assets at fair value through profit or loss

Figures in Rand thousand	2019	2018
CURRENT ASSETS		
Listed shares	538,174	470,370
Bonds	1,247,989	1,178,868
Promissory notes	-	19,612
	1,786,163	**1,668,850**
Financial assets at fair value through profit and loss	**1,786,163**	**1,668,850**

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price at reporting date; and
- The fair values on investments not listed or quoted are estimated using the yield curve valuation technique using the nominal rate of interest compounded continuously. The method is consistent with the prior year.

For debt securities classified at fair value through profit or loss, the maximum exposure to credit risk at the reporting date is the carrying amount.

The company has not reclassified any financial assets from cost or amortised cost to fair value. During the current year, the company reclassified financial assets from fair value to amortised cost.

The maximum exposure to credit risk at the reporting date is the fair value of each class of financial instrument mentioned above and the fair value of the trade and other receivable, is disclosed in note 13. The Company has not pledged any collateral as security.

Financial instruments measured at fair value shall be classified into a hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of all the financial instruments is level 1. Level 1 inputs are quoted prices in active markets for identical assets, which are observable for the assets, either directly or indirectly.

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

7. Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit/loss

Figures in Rand thousand	2019	2018
CREDIT RATING		
A+	25,113	-
AA+	68,120	1,019,580
AA	3,573	2,238
AA-	-	25,359
AAA	1,015,720	-
BBB	-	500
B	135,463	150,803
Other	538,174	470,370
	1,786,163	**1,668,850**

8. Financial instruments by category

The carrying value of the financial instruments approximates the fair value. All financial liabilities are carried at amortised cost.

The accounting policies for financial instruments have been applied to the line items below:

FAIR VALUE THROUGH PROFIT OR LOSS		
Bonds and promissory notes	1,247,989	1,178,868
Listed shares	538,174	470,370
Promissory notes	-	19,612
TOTAL	**1,786,163**	**1,668,850**

CARRIED AT AMORTISED COST		
Financial assets as amortised cost	522,133	574,969
Trade and other receivables	221,640	95,574
Cash and cash equivalents	318,061	299,824
TOTAL	**1,061,834**	**970,367**

9. Operating lease asset (accrual)

Figures in Rand thousand	2019	2018
Non-current liabilities	(28,289)	(15,682)
Current liabilities	(95)	(1,249)
	(28,384)	**(16,931)**
Amount expensed	(59,048)	(61,260)
Amount paid	47,595	46,306
	(11,453)	**(14,954)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

10. Deferred tax

Figures in Rand thousand	2019	2018
DEFERRED TAX ASSETS		
Leave pay	4,711	4,756
Pre payments	(1,471)	(1,369)
Provision for doubtful debts	-	4
Unrealised (profit)/loss	25,837	(8,054)
Leases	7,948	4,661
Short-term incentive provision	45,572	39,497
Long-term incentive provision	53,705	48,344
Operating lease allowance	-	80
Expected credit loss	15	-
TOTAL DEFERRED TAX ASSETS	**136,317**	**87,919**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

DEFERRED TAX ASSET	**136,317**	**87,919**
RECONCILIATION OF DEFERRED TAX ASSETS / (LIABILITIES)		
At beginning of year	87,919	98,464
Opening balance adjustment	9	-
Leave pay	(45)	1,533
Prepayments	(102)	(366)
Provision for doubtful debts	(4)	4
Unrealised (profit)/loss	33,891	(11,878)
Leases	3,287	4,648
Short-term incentive provision	6,075	(5,318)
Long-term incentive provision	5,361	1,292
Operating lease allowance	(80)	(460)
Expected credit loss	6	-
	136,317	**87,919**

11. Current tax payable (receivable)

Figures in Rand thousand	2019	2018
Opening balance	(12,291)	(9,414)
Raised during the year	148,930	166,915
Tax paid during the year	(154,062)	(169,792)
Tax refunded from prior year	9,414	-
	(8,009)	**(12,291)**

12. Financial assets at amortised cost

Financial assets are presented at amortised cost, which is net of loss allowance, as follows:

Fixed deposit	512,342	574,969
Promissory notes	9,791	-
TOTAL DEFERRED TAX ASSETS	**522,133**	**574,969**

Preference shares

During the prior financial year, VBS Mutual Bank (VBS) was placed under curatorship by the South African Reserve Bank (SARB). BIG held material deposits in VBS Bank. Placing VBS under curatorship negatively affected BIG's financial soundness and its ability to satisfy capital adequacy requirements. As a result, the Financial Sector Conduct Authority (formerly called Financial Service Board), instructed BIG not to issue new insurance business.

The PIC appointed an independent valuer to value the investment in BIG. Using the discounted cash flow methodology, the valuation concluded that the investment has a net realised value of R0. This value is attributed to high business risk, capital injection requirements and operating stabilisation of the entity in the future.

BIG has since been placed under liquidation by the FSCA. The PIC has referred all matters relating to this investment to its attorneys for further action.

PREFERENCE SHARES		
Opening balance	-	53,100
Accrued preference dividend	-	7,870
Repayments of interest	-	(1,882)
Impairment of asset	-	(59,088)
	-	**-**

Exposure to credit risk

Fixed deposit and promissory notes inherently exposes the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

12. Financial assets at amortised cost (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for fixed deposit and promissory notes by credit rating grade:

2019

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Fixed deposit	AA	Fitch	N/A	12m ECL	85,967	(357)	85, 610
Fixed deposit	AA+	S&P	N/A	12m ECL	428,508	(1,776)	426,732
Promissory notes	AA+	Moody's	N/A	12m ECL	9,832	(41)	9,791
					524,307	**(2,174)**	**522,133**

2018

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Amortised cost
Fixed deposit	AA	Fitch	N/A	N/A	54,352	54,352
Fixed deposit	AA-	S&P	N/A	N/A	520,617	520,617
					574,969	**574,969**

12. Financial assets at amortised cost (continued)

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for fixed deposit and promissory notes. The movement in the gross carrying amounts of the fixed deposit and promissory notes are presented to assist in the explanation of movements in the loss allowance.

Figures in Rand thousand	2019	2018
FIXED DEPOSIT: LOSS ALLOWANCE MEASURED AT 12 MONTH ECL:		
Adjustments upon application of IFRS 9	2,390	-
OPENING BALANCE IN ACCORDANCE WITH IFRS 9	**2,390**	-
New investments purchased	2,133	-
Reversal	(2,390)	-
CLOSING BALANCE	**2,133**	**-**
PROMISSORY NOTES: LOSS ALLOWANCE MEASURED AT 12 MONTH ECL:		
Adjustments upon application of IFRS 9	20	-
OPENING BALANCE IN ACCORDANCE WITH IFRS 9	**20**	-
New investments purchased	41	-
Reversal	(20)	-
CLOSING BALANCE	**41**	**-**

Decrease in ECL allowance due to a decrease in number of instruments held.

Exposure to interest rate risk

Refer to note 32 for details of interest rate risk management for investments in fixed deposit and promissory note.

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for the year ended 31 March 2019

13. Trade and other payables

Figures in Rand thousand	2019	2018
FINANCIAL INSTRUMENTS:		
Trade receivables	200,961	80,647
Loss allowance	-	(17)
Trade receivables at amortised cost	200,961	80,630
Accrued Interest	856	542
Sundry debtors	7,836	2,268
NON-FINANCIAL INSTRUMENTS:		
Prepayments	11,987	12,134
TOTAL TRADE AND OTHER RECEIVABLES	**221,640**	**95,574**

Categorisation of trade and other receivables

During the prior year ending 31 March 2018, trade and other receivables of R 17,220 relating to VBS board fees were provided for and the amount have been written off in the current year after VBS was placed under curatorship by the South African Reserve Bank.

At amortised cost	209,653	83,440
Non-financial instruments	11,987	12,134
	221,640	**95,574**

Exposure to credit risk

Trade receivables inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

The average credit period on trade receivables is 30 days (2018: 24 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Company measures the loss allowance for trade receivables by applying the general approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the 12 month expected loss allowance on trade receivables. The approach has been developed by making use of past default experience of debtors but also considered forward looking information and general economic conditions which resulted to insignificant effect to the expected credit losses.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There have been changes in the estimation techniques or significant assumptions made during the current reporting period.

The Company's historical credit loss experience does not show significantly different loss patterns for customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

14. Cash and cash equivalents

Figures in Rand thousand	2019	2018
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash on hand	6	2
Bank balances	78,608	28,938
Short-term deposits and promissory notes	239,447	270,884
TOTAL TRADE AND OTHER RECEIVABLES	**318,061**	**299,824**

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

CREDIT RATING		
AA	137,830	97,555
AA-	-	198,157
AA+	180,231	-
BBB	-	4,112
	318,061	**299,824**

- Management has concluded that the financial statements present fairly the Company's financial position, financial performance, and cash flows and has complied with applicable IFRSs.
- For fair presentation in reflecting the Company's short-term cash commitments, management has diversified regarding the application of IAS 7 paragraph 7 to present financial assets at amortised cost as cash equivalent on the basis of the 3 months remaining period to maturity at the financial position date rather than from its acquisition date.
- Cash and cash equivalents have increased by R239,447 million: 2019 (R270,884 million: 2018) and financial assets at amortised cost have decreased by the same amounts respectively.

15. Share capital

AUTHORISED		
100 Ordinary shares of R10 each	1	1
ISSUED		
100 Ordinary shares of R10 each	1	1

16. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

Opening Balance	1,837	7,709
Foreign currency translation reserves	9,734	(5,872)
	11,571	**1,837**

17. Non-Distributable Reserves

Figures in Rand thousand	2019	2018
Opening Balance	678,960	545,966
Transfer to NDR	256,632	132,994
	935,592	**678,960**

18. Provisions

RECONCILIATION OF PROVISIONS 2019

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Leave forfeited	Total
Leave pay	16,986	35,261	(32,123)	(3,297)	16,827
Long-term incentives	172,658	60,160	(41,014)	-	191,804
Short-term incentives	141,059	138,898	(117,203)	-	162,754
	330,703	**234,319**	**(190,340)**	**(3,297)**	**371,385**

RECONCILIATION OF PROVISIONS 2018

Figures in Rand thousand	Opening balance	Raised	Utilised during the year	Reversed during the year	Leave forfeited	Total
Leave pay	11,511	36,212	(26,926)	(1,086)	(2,725)	16,986
Long-term incentives	168,043	61,095	(43,082)	(13,398)	-	172,658
Short-term incentives	160,051	145,873	(133,016)	(31,849)	-	141,059
	339,605	**243,180**	**(203,024)**	**(46,333)**	**(2,725)**	**330,703**

Non-current liabilities	121,256	116,623
Current liabilities	250,129	214,080
	371,385	**330,703**

19. Trade and other payables

FINANCIAL INSTRUMENTS:		
Trade payables	4,165	524
Accrued expenses	23,357	16,490
NON-FINANCIAL INSTRUMENTS:		
Employee related control account	10,632	2
VAT	12,307	9,061
	50,461	**26,077**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

20. Revenue

Figures in Rand thousand	2019	2018
REVENUE FROM CONTRACTS WITH CUSTOMERS		
Rendering of services	1,205,714	1,224,467

Disaggregation of revenue from contracts with customers

The following table indicates the revenue recognised per customer:

REVENUE BY CUSTOMER		
Associated Institution Pension Fund	4,699	3,472
Compensation Commissioner Fund	11,849	12,417
Compensation Commissioner Pension Fund	32,674	37,744
Futuregrowth Asset Manager (Pty) Ltd	5	123
Government Employees Pension Fund	949,329	975,004
Metropolitan Asset Managers Ltd	30	36
Lancaster 101 (RF) Proprietary Limited	-	30,000
National Lotteries Board	6	84
National Skills Fund	1,660	1,626
PIC Other Clients	4,556	4,138
Political Office Bearers Pension Fund	775	137
RDP Fund	6,386	6,525
Temporary Employees Pension Fund	198	426
Unemployment Insurance Fund	193,547	152,735
	1,205,714	**1,224,467**

The following table indicates the revenue recognised per underlying investment asset class:

Equities	339,241	322,343
Fixed Income	174,435	166,487
Properties	137,559	124,335
Unlisted debts and equities (excluding properties)	554,479	611,302
	1,205,714	**1,224,467**

21. Other operating income

Figures in Rand thousand	2019	2018
Board fees	4,851	5,333
Other income	6,732	3,435
	11,583	8,768

22. Operating profit (loss)

Operating profit for the year is stated after charging (crediting) the following, amongst others:

AUDIT FEES - EXTERNAL		
Audit fees	2,796	2,436
CONSULTING		
Consulting and professional services	31,395	20,500
EMPLOYEE COSTS		
Salaries, wages, bonuses and other benefits	533,718	476,992
Retirement benefit plans: defined contribution expense	27,809	24,217
Long-term incentive scheme	60,160	47,698
TOTAL EMPLOYEE COSTS	**621,687**	**548,907**
LEASES		
OPERATING LEASE CHARGES		
Premises	56,838	59,139
Equipment	2,210	2,121
	59,048	**61,260**
DEPRECIATION AND AMORTISATION		
Depreciation of property, plant and equipment	22,457	18,987
Amortisation of intangible assets	1,242	741
TOTAL DEPRECIATION AND AMORTISATION	**23,699**	**19,728**

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for the year ended 31 March 2019

22. Operating profit (loss) (continued)

Figures in Rand thousand	2019	2018
IMPAIRMENT LOSSES		
Impairment of assets at amortised cost	-	59,088
Impairment of associate	-	23,208
	-	**82,296**
MOVEMENT IN CREDIT LOSS ALLOWANCES		
Financial assets at amortised cost	236	-
OTHER		
Unrealised (gain) or loss	121,040	(42,420)
Loss/(profit) on forex	2,712	(1,824)
Bad debts written off	17	-
EXPENSES BY NATURE		
The total general and administrative expenses are analysed by nature as follows:		
Employee costs	621,687	548,907
Operating lease charges	59,048	61,260
Depreciation, amortisation and impairment	23,699	19,728
Other expenses	215,143	175,552
	919,577	**805,447**

During the prior financial year, VBS Mutual Bank (VBS) was placed under curatorship by the South African Reserve Bank (SARB). BIG held material deposits in VBS Bank. Placing VBS under curatorship negatively affected BIG's financial soundness and its ability to satisfy capital adequacy requirements. As a result, the Financial Sector Conduct Authority (formerly called Financial Service Board), instructed BIG not to issue new insurance business.

The PIC appointed an independent valuer to value the investment in BIG. Using the discounted cash flow methodology, the valuation concluded that the investment has a net realised value of R0. This value is attributed to high business risk, capital injection requirements and operating stabilisation of the entity in the future.

BIG has since been placed under liquidation by the FSCA. The PIC has referred all matters relating to this investment to its attorneys for further action.

23. Investment income

Figures in Rand thousand	2019	2018
DIVIDEND INCOME		
EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Listed investments-Local	28,346	28,112
INTEREST INCOME		
INVESTMENTS IN FINANCIAL ASSETS:		
Bank and other cash	169,706	146,677
Loans and receivables at amortised cost	-	7,870
TOTAL INTEREST INCOME	**169,706**	**154,547**
TOTAL INVESTMENT INCOME	**198,052**	**182,659**

24. Finance costs

Other interest	3	4

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

25. Taxation

Figures in Rand thousand	2019	2018
MAJOR COMPONENTS OF THE TAX EXPENSE		
CURRENT		
Local income tax - current period	148,929	166,915
Tax adjustment - prior year	(1,074)	-
	147,855	**166,915**
DEFERRED		
Deferred tax movement for the year	(48,378)	10,545
Arising from prior period adjustments	(9)	-
	(48,387)	**10,545**
	99,468	**177,460**
RECONCILIATION OF THE TAX EXPENSE		
Reconciliation between accounting profit and tax expense		
Accounting profit	390,224	594,601
Tax at the applicable tax rate of 28% (2017: 28%)	109,263	166,488
TAX EFFECT OF ADJUSTMENTS ON TAXABLE INCOME		
Prior year overprovision	(1,074)	-
Permanent differences	(8,712)	10,972
Previous year adjustment	(9)	-
	99,468	**177,460**

26. Cash generated from operations

Figures in Rand thousand	2019	2018
Profit before taxation	390,224	594,601
ADJUSTMENTS FOR:		
Depreciation and amortisation	23,699	19,728
Write off of PPE and intangible assets	208	544
Fair value losses (gains)	121,040	(42,420)
Income from equity accounted investments	(15,259)	(24,034)
Dividend income	(28,346)	(28,112)
Interest income	(169,706)	(154,547)
Finance costs	3	4
Impairment loss/gain on financial assets at amortised cost	(236)	-
Movements in operating lease assets and accruals	11,453	14,954
Movement in provisions	40,682	(8,902)
Impairment of assets at amortised cost	-	59,088
Impairment of associate	-	23,208
CHANGES IN WORKING CAPITAL:		
Trade and other receivables	(126,066)	(14,144)
Trade and other payables	23,934	(23,923)
Tax Refund	10,488	-
	281,447	**416,045**

27. Tax paid

Figures in Rand thousand	2019	2018
Balance at beginning of the year	12,291	9,414
Current tax for the year recognised in profit or loss	(148,930)	(166,915)
Tax Refund	(9,414)	-
Balance at end of the year	(8,009)	(12,291)
	(154,062)	**(169,792)**

28. Dividends

Dividend paid	(80,000)	(60,000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

29. Commitments

Figures in Rand thousand	2019	2018
CAPITAL EXPENDITURE, INFORMATION TECHNOLOGY COST AND INVESTMENTS		
• Contracted capex	152,976	15,782
Within one year	118,656	15,782
In second to fifth year inclusive	34,320	-
• Uncontracted capex	288,792	105,471
Within one year	16,917	-
In second to fifth year inclusive	271,875	105,471
• Uncontracted investments	460,000	490,000
• Contracted operation	3,328	5,614
	905,096	**616,867**

Commitments include all items of capital expenditure, information technology costs and investments for which specific board approval has been obtained up to the reporting date.

OPERATING LEASES – AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE

	2019	2018
• Within one year	43,144	46,779
• In second to fifth year inclusive	197,848	185,650
• Later than five years	181,730	237,071
	422,722	**469,500**

Operating lease payments represent rentals payable by the Company for office premises and printing equipment. Leases are negotiated for an average term of one to ten years for the Company.

COMMITMENTS

	2019	2018
• Within one year	598,901	511,396
• In second to fifth year inclusive	306,195	105,471
	905,096	**616,867**

30. Related parties

Relationships	
Ultimate holding company	National Government of the Republic of South Africa
Company	Public Investment Corporation SOC Limited

Figures in Rand thousand	2019	2018
RELATED PARTY BALANCES		
AMOUNTS INCLUDED IN TRADE RECEIVABLE (TRADE PAYABLE) REGARDING RELATED PARTIES		
Airport Company of South Africa	-	55
Associated Institute Pension Fund	390	385
Compensation Commissioner Pension Fund	1,062	1,155
Compensation Commissioner Fund	964	1,215
Government Employees Pension Fund	185,973	62,061
Government Employees Pension Fund	(93)	(78)
National Skill Fund	157	150
National Lotteries Commission	-	3
RDP	703	643
South African Revenue Service	8,009	12,291
Temporary Employees Pension Fund	21	10
Unemployment Pension Fund	14,863	4,837
Services delivered	204,584	168,355
RELATED PARTY TRANSACTIONS		
SERVICES DELIVERED		
State controlled entities and national departments	1,205,714	1,224,467
PURCHASED SERVICES		
Financial Services Board	(1,774)	(1,670)
Telkom	(6)	(1,299)
Government Employees Pension Fund	-	(2,429)
South African Broadcasting Corporation	(8)	(6)
Compensation Commissioner	(87)	(191)
SITA Government Technology	-	(53)
Auditor-General South Africa	(2,796)	(2,436)
South African Revenue Service	(154,062)	(169,792)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

30. Related parties (continued)

Figures in Rand thousand	2019	2018
COMPENSATION TO DIRECTORS AND OTHER KEY MANAGEMENT		
Short-term employee benefits	50,091	61,056
Benefits - Pension	5,259	3,292
Long-term benefits - incentive scheme	24,642	19,511
	79,992	**83,859**

The Public Investment Corporation is part of the national sphere of government and its related parties in that sphere include national departments and public entities. Related parties also include key management personnel. Transactions with related parties are on an arm's length basis.

31. Directors' emoluments

NON-EXECUTIVE		
For services as Directors	6,363	6,543

32. Risk management

Financial risk management

Market risk

Market risk is the risk that the Company's earnings and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management in the Company is to protect the Company's net earnings against adverse market movements through containing the innate interest rate and foreign currency risks within acceptable parameters.

The Public Investment Corporation Operating Fund (PICOF) has exposure to interest rate sensitive instruments. Market risk is managed through adherence to mandate requirements such as a tracking error limit relative to a chosen benchmark and liquidity needs (see liquidity definition below).

Interest rate risk

Interest rate risk refers to the susceptibility of the Company's financial position to adverse fluctuations in market interest rates. Variations in market interest rates impact on the cash flows and income stream of the Company through their net effect on interest rate sensitive assets. At the same time movements in interest rates impact on the Company's capital through their net effect on the market value of assets. Interest rate risk in the Company arises naturally as a result of investments made in the PICOF account which are investments on traded instruments and are impacted by interest rate fluctuations.

32. Risk management (continued)

The Company's primary interest rate risk management objective is to protect its investment income from adverse fluctuations in market interest rates. The management of interest rate risk against these limits is supplemented by scenario analysis, which measures the sensitivity of the Company's investment interest income and market value of the portfolio to extreme interest rate movements. At a minimum, scenarios include hypothetical interest rate shocks, both up and down, of at least 50 and 100 basis points.

The table below shows the sensitivity analysis of the PICOF portfolio. The unrealised profit/loss is obtained by changing the market interest rates of the fixed income instruments in the portfolio by the specified amounts, revalue the portfolio of the fixed income instruments, and then take the difference between the new portfolio value and the old portfolio value which was determined using unperturbed market interest rates.

Figures in Rand thousand	2019	2018
BASIS POINTS		
-100	118,060	117,223
-50	56,866	56,418
50	(52,956)	(52,462)
100	(102,370)	(101,348)
	19,600	19,831

Liquidity risk

Asset liquidity risk

Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the currency due without incurring above normal costs. In the case of the Company, this risk specifically arises from the inability to honour obligations with respect to commitments to borrowers, lenders and investors and operational expenditure.

Liquidity is held primarily in the form of money market instruments such as bonds, fixed deposits, listed shares and promissory notes as well as liquid debt issues from government, municipalities and other approved issuers.

In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents, the Company uses cash flow forecasts and cumulative maturity gap analysis to assess and monitor its liquidity requirements and risk levels.

The funding liquidity is managed by proper planning of cash flow needs.

The maturity profile of contractual cash flows of derivative financial liabilities are as follows:

2019 - Figures in Rand thousand	Less than 3 months	Total
CURRENT FINANCIAL LIABILITIES		
Trade payables	27,513	27,513

2018 - Figures in Rand thousand	Less than 3 months	Total
CURRENT FINANCIAL LIABILITIES		
Trade payables	17,014	17,014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

32. Risk management (continued)

Capital Adequacy Requirements

Over the period under review the Company has satisfied the capital adequacy requirements, namely, that the Company has at all times maintained:

- Liquid assets equal to or greater than 8/52 weeks of annual expenditure;
- Assets that exceed liabilities; and
- Current assets which were at least sufficient to meet current liabilities.

Credit risk

The risk that a borrower or counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing the holder of the claim to suffer a loss in cash flow or market value.

Factors that influence the Company's credit decisions include credit rating, assessments of the general operating environment, the competitive market position of a counterparty or issuer, reputation, deal tenure, the level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

Credit risk is managed according to the mandate parameters and the Company's internal credit risk policy. Credit mitigation techniques are transaction dependent but may include, where appropriate, the right to be furnished with collateral or an equity injection by counterparties, particularly in unlisted investments. No collateral was held on PICOF for the period under review.

The Company also utilises various models to guide limit setting as well as credit ratings from external rating agencies. Limits are approved by the relevant committees, in accordance with the Board approved delegation of authority. Risk reports on these exposures are regularly submitted to the Portfolio Committee, Investment Committee, Audit and Risk Committee and Board. Impairment tests are undertaken according to the Company approved guidelines, and are approved in accordance with the delegation of authority.

Financial assets exposed to credit risk at year-end were as follows:

Figures in Rand thousand	2019	2018
ASSETS		
Bonds	1,247,989	1,178,868
Cash and cash equivalents	318,061	299,824
Trade and other receivables	221,640	95,574
Listed Shares	538,174	470,370
Fixed deposits	522,133	574,969
Promissory Notes	-	19,612

33. Capital management

The Company is licensed as a financial services provider under the Financial Sector Conduct Authority (FSCA) formerly known as The Financial Services Board (FSB) requirements are monitored and adhered to. There are no regulatory capital management ratios imposed on the Company.

34. Irregular expenditure

Figures in Rand thousand		
RECONCILIATION OF IRREGULAR EXPENDITURE		
Opening balance	-	-
Add: Irregular expenditure-current year	4,349	-
Less: Amount condoned	-	-
IRREGULAR EXPENDITURE AWAITING CONDONEMENT	4,349	-
Total expenditure excluding employee cost	295,673	-
Irregular expenditure	4,349	-
	-	-
	1.47%	

The irregular expenditure identified in the current year relates to few transactions that took place in the current year, R1,739,673 relates to legal expenses that were procured and used without proper approval policy, R2,598,726 relates to irregular expenditure due to Non-compliance with National Treasury SCM instruction Note 3 of 2016/17 and R10,695 relates to irregular expenditure due to non-compliance with the corporate procurement policy.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

35. Employee Benefits

Provident Fund

The Provident Fund has 395 active members as at 31 March 2019. During the current year, 54 employees joined. 21 employees withdrew from the Provident Fund and there were no transfers from the Company.

The contribution for the year amounted to R46 million. The Provident Fund is a defined contribution plan. The results is that the risk of any decline in fair value lies with the employee and not the employer.

Defined benefit plan

There are 10 employees on the GEPF. There were no changes in the current year from the Provident Fund.

Short-term employee benefits

Short term incentives (STI) scheme of R163 million (2018: R141 million) has been recognised as a provision.

The STI is recognised and accrued in the year the service was rendered, but only paid after the financial statements are approved by the Board. The trigger for the payment of the STI is if the Corporation has made at least 10% of the net income over management fees.

Long-term employee benefits

LTI scheme is R192 million (2018: R173 million)

The scheme is to attract, retain and reward high performing Management of the Company. The Company Management is only eligible to participate in the LTI scheme if the Company achieves an overall performance rating of 3 and if a manager achieves a minimum individual performance rating of 3,5.

The LTI scheme vests over a period of three years and payments have a lag time of three years. Out of the total LTI of R192 million, R70 million will be paid in the 2020 financial year, 61 million will be paid in the 2021 financial year and the balance of R61 million will be paid in 2022.

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Asset Management
Directors	Dr Reuel Khoza (Chairperson) (Non-Executive Director) Ms Sindi Mabaso-Koyana (Deputy Chairperson) (Non-Executive Director) Ms Irene Charnley (Non-Executive Director) Dr Angelo David Sabelo de Bruyn (Non-Executive Director) Prof Bonke Dumisa (Non-Executive Director) Mr Ivan Fredericks (Non-Executive Director) Mr Bhekithemba Gamedze (Non-Executive Director) Mr Mugwena Maluleke (Non-Executive Director) Dr Xolani Mkhwanazi (Non-Executive Director) Ms Tshepiso Moahloli (Non-Executive Director) Mr Pitsi Moloto (Non-Executive Director) Adv Makhubalo Ndaba (Non-Executive Director) Ms Maria Ramos (Non-Executive Director) Ms Barbara Watson (Non-Executive Director) Mr Vuyani Hako (Acting CEO) (Executive Director) Mr Brian Mavuka (Acting CFO) (Executive Director)
Registered office and business address	Menlyn Maine Central Square Corner Aramist Avenue and Corobay Avenue Waterkloof Glen Extension 2 Pretoria 0181
Postal address	Private Bag X187 Pretoria South Africa 0001
Holding and Ultimate Holding Company	Public Investment Corporation SOC Limited incorporated in Republic of South Africa
Auditors	Office of the Auditor General of South Africa Registered Auditors
Company Secretary	Ms Bongani Mathebula
Company registration number	2005/009094/30
Company Annual Financial Statements	The Company's Annual Financial Statements have been prepared under the supervision of the Company Acting CFO, Mr Brian Mavuka.
Address of Secretary	Menlyn Maine Central Square Corner Aramist Avenue and Corobay Avenue Waterkloof Glen Extension 2 Pretoria 0181

Public Investment corporation SOC Limited Disclaimer

Public Investment Corporation SOC Limited (PIC), Registration number 2005/009094/30, is a licensed financial services provider, FSP 19777, approved by the Financial Sector Conduct Authority (FSCA) (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002). The PIC is wholly owned by the South African Government, with the Minister of Finance as a Shareholder representative. Products offered by the PIC do not provide any guarantees against capital losses. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full invested amount. Past performance is not necessarily a guide to future investment performance. Personal trading by staff is regulated to ensure that there is no conflict of interest. All Directors and employees who are likely to have access to price-sensitive and unpublished information in relation to the Public Investment Corporation are further regulated in their dealings. All employees are remunerated with salaries and standard short-term and long-term incentives. No commission or incentives is paid by the PIC to any persons and all inter-group transactions are done on an arm's length basis. The PIC has comprehensive crime and professional indemnity insurance. Directors: Dr Reuel Khoza (Chairperson), Ms Sindi Mabaso-Koyana (Deputy Chairperson), Ms Irene Charnley, Dr Angelo David Sabelo de Bruyn, Prof Bonke Dumisa, Mr Ivan Fredericks, Mr Bhekithemba Gamedze, Mr Mugwena Maluleke, Dr Xolani Mkhwanazi, Ms Tshepiso Moahloli, Mr Pitsi Moloto, Adv Makhubalo Ndaba, Ms Maria Ramos, Ms Barbara Watson | Mr Vuyani Hako (Acting Chief Executive Officer), Mr Brian Mavuka (Acting Chief Financial Officer) | Company Secretary: Ms Bongani Mathebula.

For more details as well as for information on how to contact us and how to access information, please visit www.pic.gov.za.

Abbreviations

ABET	Adult Basic Education Training
Abraaj	Abraaj Investment Management Limited
AC	Audit Committee
ACSA	Airports Company South Africa
ADRIASA	ADR International Airports South Africa
AEs	Advanced Economies
AFS	Annual Financial Statements
AGM	Annual General Meeting
Agrigroupe	Agrigroupe Holdings (Pty) Ltd.
Ai	Africa investors
AIPF	Associated Institutions Pension Fund
AuM	Assets under Management
ARC	Audit and Risk Committee
Bafepi	Bafepi Agri (Pty) Ltd
B-BBEE	Broad-Based Black Economic Empowerment
BCM	Business Continuity Management
BEE	Black Economic Empowerment
BIP	Black Industrialist Programme
BOE	Bank of England
BVI	Business Ventures Investments (Pty) Ltd
CBOs	Community-based Organisations
CC	Compensation Commissioner Fund
C2C	Coast to Coast Proprietary Limited
CD	Childhood Development
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CP	Compensation Commissioner Pension Fund
CSR	Corporate Social Responsibility
CTC	Community Training Centre
DAC	Directors' Affairs Committee
DBE	Department of Basic Education
Dti	Department of Trade and Industry
DOA	Delegation of Authority
DOI	Declaration of Interest
DPSA	Department of Public Service and Administration
EAP	Economically Active Population

EBIDTA	Earnings before interest, tax, depreciation and amortisation
ECB	European Central Bank
ECL	Expected Credit Loss
ED	Enterprise Development
EEA	Employment Equity Act
EIHL	ETG Input Holdings
Ems	Emerging Markets
ERMF	Enterprise Management Framework
ESG	Environmental, Social and Governance
ETG	Export Trading Group
EXCO	Executive Committee
FAIS Act	Financial Advisory and Intermediary Services Act, 2002
FDI	Foreign Direct Investment
Fed	Federal Reserve
FIPs	Fund Investment Panels
FMCG	Fast Moving Consumer Goods
FSCA	Financial Sector Conduct Authority
GEHS	Government Employees Housing Scheme
GEPF	Government Employees Pension Fund
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
HEIs	Higher Education Institutions
HDIs	Historically Disadvantaged Individuals
HRRC	Human Resources and Remuneration Committee
I&B	Infrastructure and Building
IC	Investment Committee
ICTGC	Information Communication and Technology Governance Committee
IMF	International Monetary Fund
IMSS	International Maths and Science Study
IoDSA	Institute of Directors of Southern Africa
IRR	Internal Rate of Return
IT	Information Technology
ITRC	Information Technology Risk Committee
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange

KENGEN	Kenya Electricity Generating Company
KRIs	Key Risk Indicators
LIA	Lanseria International Airport
Libstar	Liberty Star Consumer Holdings
M&A	Merger and Acquisition
MMIH	Menlyn Maine Investment Holdings (Pty) Ltd
MPRDA	Mineral and Petroleum Resources Development Act
MOCAA	Museum of Contemporary Art Africa
MOI	Memorandum of Incorporation
MST	Mobile Specialised Technologies
NGOs	Non-governmental Organisations
NSFAS	National Student Financial Aid Scheme
NDP	National Development Plan
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OLG	Open Learning Group
ORMF	Operational Risk Management Framework
PAA	Public Audit Act of South Africa
PAIDF	Pan Africa Infrastructure Development Fund
PE	Private Equity
PE SA II	Private Equity South Africa Fund II
PE RoA II	Private Equity Rest of Africa Fund II
PFMA	Public Finance Management Act, 1999
PIC	Public Investment Corporation SOC Limited
PIC Act	Public Investment Corporation Act, 2004
PL	Private Label
PMC	Portfolio Management Committee
POPI	Protection of Personal Information Act, 2013
PPAs	Power Purchase Agreements
PPMs	Private Placement Memorandums
QSRs	Quick Service Restaurants
QAR	Quality Assessment Review
RC	Risk Committee
Resultant	Resultant Finance (Pty) Limited
RFPs	Request for Proposals
SAA	Strategic Asset Allocation
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SED	Socio-economic Development
SETC	Social, Ethics and Transformation Committee
SIPs	Structured Investment Products
SOEs	State-Owned Entities
SMEs	Small and Medium Enterprises
SNG	Sizwe Ntsaluba Gobodo
SPAC	Special Purpose Acquisition Company
Sphere	Sphere Holdings (Pty) Limited
SPMS	South Point Management Services
SRI	Socially Responsible Investment
S&P	Standard and Poor's
ToR	Terms of Reference
UIF	Unemployment Insurance Fund
US	United States
WHO	World Health Organisation

Notes

Notes

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